

Philadelphia Board of Trade

Rulebook

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DEFINITIONS

Definitions

¶ 6101

Scope of Definitions

Rule 1. Unless otherwise specifically provided in the By-Laws or Rules of the Exchange or the context otherwise requires, the terms defined in Rules 2 to 35, inclusive, shall for all purposes of the By-Laws and Rules of the Exchange, have the meanings therein specified.

6102

Act

Rule 2. The term "Act" means the Commodity Exchange Act, 7 U.S.C. § 1 et seq., as amended from time to time.

¶ 6103

Board of Directors or Board

Rule 3. The term "Board of Directors" or "Board" means the Board of Directors of the Exchange.

¶ 6103A

Broker Association

Rule 4. A broker association shall include two or more Exchange members with floor trading privileges, of whom at least one is acting as a floor broker who:

- (1) engage in floor brokerage activity on behalf of the same employer,
- (2) have an employer and employee relationship which relates to floor brokerage activity,
- (3) share profits and losses associated with their brokerage or trading activity, or
- (4) regularly share a deck of orders.

Adopted.

November 23, 1993 (93-8).

¶ 6104

Business Day

Rule 5. The term "business day" means any day on which the Exchange is open for business. Unless the Board determines otherwise, the Exchange shall be open for business every day except Saturdays, Sundays and such holidays as may be prescribed by the Board.

Renumbered.

November 23, 1993 (93-8).

¶ 6105

By-Laws

Rule 6. The term "By-Laws" means the By-Laws of the Exchange, as from time to time amended.

Renumbered.

November 23, 1993 (93-8).

¶ 6106

Call

Rule 7. The term "call" means an option contract under which: (a) the holder of the option has the right, but not the obligation, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of units of the commodity or futures contract (or the cash equivalent of such number of units) covered by the option contract, and (b) the Clearing Corporation is obligated, in accordance with the terms of the option, to sell to the holder upon the valid exercise of such option contract the number of units of the commodity or futures contract (or the cash equivalent of such number of units) covered by the option contract.

Renumbered.

November 23, 1993 (93-8).

¶ 6107

Certificate

Rule 8. The term "Certificate" means the Certificate of Incorporation of the Exchange, as from time to time amended.

Renumbered.

November 23, 1993 (93-8).

¶ 6108

Class of Options

Rule 9. The term "class of options" means all call option contracts covering the same commodity or futures contract or all put option contracts covering the same commodity or futures contract.

Renumbered.

November 23, 1993 (93-8).

¶ 6109

Clearing Corporation

Rule 10. The term "Clearing Corporation" means the Options Clearing Corporation.

Amended.

November 7, 2003 (03-16).

Renumbered.

November 23, 1993 (93-8).

¶ 6110

Clearing Member

Rule 11. The term "clearing member" means a member organization of the Exchange which is a member of the Clearing Corporation.

Renumbered.

November 23, 1993 (93-8).

¶ 6111

Commission

Rule 12. The term "Commission" means the Commodity Futures Trading Commission.

Renumbered.

November 23, 1993 (93-8).

¶ 6106 Rule 8

¶ 6112**Commission Regulation**

Rule 13. The term "Commission Regulation" means any Rule, regulation or order of the Commission or any interpretation thereof by the Commission.

Renumbered.

November 23, 1993 (93-8).

¶ 6113**Commodity Interest**

Rule 14. The term "commodity interest" means a futures contract or an option contract which is traded on or subject to the Rules of the Exchange.

Renumbered.

November 23, 1993 (93-8).

¶ 6114**Customer**

Rule 15. The term "customer" means a person for whom a member of member organization carries an account (other than such member or member organization) or from whom a member or member organization solicits or accepts an order to effect any transaction in a commodity interest.

Renumbered.

November 23, 1993 (93-8).

¶ 6115**Emergency**

Rule 16. The term "emergency" means any occurrence or circumstance listed in Commission Regulation 1.41(a)(4) which the Board of Directors determines requires immediate action and threatens or may threaten such things as fair and orderly trading in, or the liquidation of or delivery pursuant to, any commodity interest, which is limited to one of the following:

- (a) Any manipulative activity or attempted manipulative activity;
- (b) Any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions;
- (c) Any circumstances which may materially affect the performance of commodity interests, including failure of the payment system;
- (d) Any action taken by the United States or any foreign government or any state or local governmental body, any other contract market, board of trade, or any other exchange or trade association (foreign or domestic), which may have a direct impact on trading on the Exchange;
- (e) Any circumstances which may have a severe, adverse effect upon the physical functions of a contract market including, for example, fire or other casualty; bomb threats; substantial inclement weather; power failures; communications breakdowns; computer system breakdowns; screen-based trading system breakdowns; malfunctions of plumbing, heating, ventilation and air conditioning systems; and transportation breakdowns;
- (f) The bankruptcy or insolvency of any member or member organization or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a member or member organization which may affect the ability of that member or member organization to perform on its contracts;
- (g) Any circumstance in which it appears that a member, member organization or any other person has failed to perform its contracts, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that such person cannot be permitted to continue in business without jeopardizing

the safety of customers' funds, members and member organizations of the Exchange, the Exchange or the Clearing Corporation; and

(h) Any other unusual, unforeseeable and adverse circumstance with respect to which it is not practicable to submit, in a timely fashion, a Rule of the Exchange to the Commission for prior review pursuant to Section 5a(a)(12)(A) of the Act.

Amendment.

November 15, 1993 (93-7).

Renumbered.

November 23, 1993 (93-8).

¶ 6116 Employee of the Exchange and Exchange Employee

Rule 17. The terms "employee of the Exchange" and "Exchange employee" mean individuals employed directly by the Exchange and individuals employed by PHLX who provide services to the Exchange.

Renumbered.

November 23, 1993 (93-8).

¶ 6117 Exchange

Rule 18. The term "Exchange" means the Philadelphia Board of Trade, Inc. and when used with reference to the administration of any By-Law or Rule of the Exchange, means either the Board of Directors or the officer, employee, agent or committee to whom appropriate authority to administer such provision has been delegated by the Board.

Renumbered.

November 23, 1993 (93-8).

¶ 6118 Expiration Date

Rule 19. The term "expiration date" means in respect of an option contract the day and time fixed by the Rules of the Exchange or the Rules of the Clearing Corporation for the expiration of all option contracts covering the same commodity or futures contract and having the same expiration month as such option contract.

Renumbered.

November 23, 1993 (93-8).

¶ 6119 Expiration Month

Rule 20. The term "expiration month" in respect of an option contract means the month and year in which such option contract expires.

Renumbered.

November 23, 1993 (93-8).

¶ 6120 Floor

Rule 21. The term "Floor" means pits, rings, posts or other places which have been designated by the Exchange as the trading areas for commodity interests and all adjacent areas.

Renumbered.

November 23, 1993 (93-8).

¶ 6116 Rule 17

¶ 6121**Floor Member**

Rule 22. The term “floor member” means a member who has been granted permission to act on the Floor pursuant to the Rules of the Exchange.

Renumbered.

November 23, 1993 (93-8).

¶ 6122**Futures Contract**

Rule 23. The term “futures contract” means any contract for the purchase or sale of any commodity for future delivery which is executed on or subject to the Rules of the Exchange.

Renumbered.

November 23, 1993 (93-8).

¶ 6123**Member**

Rule 24. The term “member” means a natural person admitted to membership in the Exchange.

Renumbered.

November 23, 1993 (93-8).

¶ 6124**Member Organization**

Rule 25. The term “member organization” means an organization for which a membership has been registered pursuant to the Rules of the Exchange.

Renumbered.

November 23, 1993 (93-8).

¶ 6125**Option Contract**

Rule 26. The term “option contract” means any option to buy or sell any commodity or any futures contract which is executed on or subject to the Rules of the Exchange and issued or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.

Renumbered.

November 23, 1993 (93-8).

¶ 6126**Organization**

Rule 27. The term “organization” means an association (including but not limited to a cooperative association), partnership, trust or corporation.

Renumbered.

November 23, 1993 (93-8).

¶ 6127**Person**

Rule 28. The term “person” means an individual or an organization.

Renumbered.

November 23, 1993 (93-8).

¶ 6128**PHLX**

Rule 29. The term “PHLX” means the Philadelphia Stock Exchange, Inc.

Renumbered.

November 23, 1993 (93-8).

¶ 6129**Physical Emergency**

Rule 30. The term “physical emergency” means any circumstance which may have a severe, adverse effect upon the physical functions of the Exchange including, for example, fire or other casualty, bomb threats, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, screen-based trading system breakdowns, malfunctions of plumbing, heating, ventilation and air conditioning systems; and transportation breakdowns.

Amendment.

November 15, 1993 (93-7).

Renumbered.

November 23, 1993 (93-8).

¶ 6130**Put**

Rule 31. The term “put” means an option contract under which:

(a) the holder of the option has the right, but not the obligation, in accordance with the terms of the option, to sell to the Clearing Corporation the number of units of the commodity or futures contract (or the cash equivalent of such number of units) covered by the option contract, and

(b) the Clearing Corporation is obligated, in accordance with the terms of the option, to purchase from the holder upon the valid exercise of such option contract the number of units of the commodity or futures contract (or the cash equivalent of such number of units) covered by the option contract.

Renumbered.

November 23, 1993 (93-8).

¶ 6131**Rule of the Clearing Corporation**

Rule 32. The term “Rule of the Clearing Corporation” means any provision of the Certificate of Incorporation or the By-Laws, or any Rule, regulation, interpretation, stated policy, or instrument corresponding thereto, as adopted or amended by the Clearing Corporation.

Renumbered.

November 23, 1993 (93-8).

¶ 6132**Rule of the Exchange**

Rule 33. The term “Rule of the Exchange” means any Rule, regulation, interpretation, stated policy, or instrument corresponding thereto, as adopted or amended by the Exchange.

Renumbered.

November 23, 1993 (93-8).

¶ 6128 Rule 29

¶ 6133**Self-Regulatory Organization**

Rule 34. The term “self-regulatory organization” shall have the meaning ascribed to it in the Securities Exchange Act of 1934 and, in addition, shall include any contract market, commodity clearing organization and registered futures association.

Renumbered.

November 23, 1993 (93-8).

¶ 6134**Series of Options**

Rule 35. The term “series of options” means all option contracts of the same class of options having the same expiration date, exercise price and unit of trading.

Renumbered.

November 23, 1993 (93-8).

¶ 6135**Unit of Trading**

Rule 36. The term “unit of trading” means in respect of any futures or option contract the number of units of the commodity or, in the case of an option on a futures contract, of the futures contract which are covered by a single option or futures contract.

Renumbered.

November 23, 1993 (93-8).

Rules 37.—39. Reserved.

¶ 6140**Applicability of Definitions in the Act and Commission Regulations**

Rule 40. Unless otherwise specifically provided in the Rules of the Exchange or the context otherwise requires, any term used in the Rules of the Exchange and which is defined in the Act or Commission Regulations shall have the meaning ascribed to it therein.

Rules 41.—49. Reserved.

¶ 6150**Rule Titles**

Rule 50. The headings to the By-Laws and Rules of the Exchange have been inserted for convenience only and shall not affect the meaning of the language contained therein.

Rules 51.—59. Reserved.

EMERGENCIES

¶ 6160

Emergency Action

Rule 60. (a) In the event of an emergency, the Exchange, by a two-thirds vote of the Board of Directors may place into immediate effect a temporary emergency Rule which may provide for, or may authorize the Exchange, the Board of Directors or any committee of the Board of Directors to undertake actions necessary or appropriate to meet the emergency, including, but not limited to, such actions as:

- (i) limiting trading to liquidation only, in whole or in part;
- (ii) extending or shortening the expiration date for trading in contracts;
- (iii) extending the time of delivery;
- (iv) changing delivery points and/or the means of delivery;
- (v) ordering the liquidation of contracts, the fixing of a settlement price or the reduction in positions;
- (vi) ordering the transfer of contracts and the money, securities, and property securing such contracts, held on behalf of customers by a member or member organization to another member or member organization, or other members or member organizations, willing to assume such contracts or obligated to do so;
- (vii) extending, limiting or changing hours of trading;
- (viii) suspending trading; or
- (ix) modifying or suspending any provision of the By-Laws or Rules of the Exchange or the By-Laws and Rules of the Clearing Corporation.

(b) For purposes of this Rule, the term "two-thirds vote" of the Board of Directors means the affirmative vote of two or more persons constituting not less than two-thirds of the members of the Board of Directors either

(1) physically present and voting at a meeting of the Board of Directors at which a quorum of at least one-third of the Board of Directors is physically in attendance or

(2) voting in any manner other than at a meeting at which a quorum is physically in attendance as may be permitted by law.

(c) **Physical Emergency.** If, in the judgment of the person authorized to take action as specified below, the physical functions of the Exchange are, or are threatened to be, severely and adversely affected by a physical emergency, as defined in Rule 15, such person shall have authority to take such action as such person deems necessary or appropriate to deal with such physical emergency. Such authorized action shall include, but shall not be limited to, closing the Exchange, delaying the opening of trading in any one or more commodity interests and/or suspending trading in any one or more commodity interests; provided, however, that suspension of trading ordered pursuant to this paragraph (c) shall not continue in effect for more than five days unless the Exchange has submitted in writing and the Commission has granted a written request for an extension of time, for good cause shown. The persons authorized to take action pursuant to this paragraph (c) are any one of the following, in the order of their availability to take such action:

- (1) the President;
- (2) the Chairman of the Board; or
- (3) the senior available Vice President.

In the event such action is taken, thereafter any person who would be authorized to take action pursuant to this paragraph as aforesaid may order restoration of trading on the Exchange or removal of any other restriction heretofore imposed pursuant to this paragraph, in the absence of action by the Board of Directors, upon a determina-

tion by such person that the physical emergency has sufficiently abated to permit the physical functions of the Exchange to continue in an orderly manner. Any action taken by any person pursuant to this paragraph shall be subject to review, modification and/or reversal by the Board of Directors.

(d) Commission Notification. Notification of emergency action taken pursuant to this rule or any emergency rule implemented pursuant to this rule shall be made to the Commission pursuant to Commission Regulation 1.41(f).

Amendment.

November 15, 1993 (93-7).

Rules 61.—100. Reserved.

MEMBERSHIP RULES

¶ 6201

Membership Application Procedures

Rule 101. (a) Every applicant for membership shall file an application in writing with the staff of the Exchange in such form as the Admissions Committee may prescribe, shall appear before the Admissions Committee if required, and shall submit such information as the Admissions Committee may direct.

(b) All applicants will be reviewed preliminarily by the staff of the Exchange. If the staff recommends that the applicant not be admitted as a member, he shall be notified in writing of the reasons therefor and may, within fifteen (15) days of the receipt thereof, file a request with the Admissions Committee for its consideration of his application, together with a written statement in such form as the Admissions Committee may prescribe setting forth his opinion as to why the staff recommendation is in error or insufficient to preclude his admission to membership.

(c) If the staff of the Exchange recommends that the applicant be admitted to membership or if the applicant files a request with the Admissions Committee pursuant to paragraph (b), the Admissions Committee shall review and act upon the application for membership. If the Admissions Committee votes favorably upon the applicant, he shall be sent written notice thereof and his admission to membership shall become effective upon his purchase of a membership share in the Exchange in accordance with the By-Laws and Rules of the Exchange, subject to all other requirements for membership as set forth in the By-Laws and Rules of the Exchange.

(d) If the Admissions Committee votes unfavorably upon the applicant, he shall be notified in writing of the specific grounds for denial of membership and shall have a right to a hearing before the Admissions Committee thereon by filing with the office of the Secretary a written request therefor within ten (10) days after the serving of such notice. The applicant shall be entitled to appear personally at such hearing. The Exchange shall also be represented at the hearing. The Exchange staff shall identify the specific facts put into issue by the application, and with respect to those facts only, both the applicant and the Exchange staff may produce witnesses and other evidence relevant to the grounds for disapproval of the application and they may examine and cross-examine any witnesses so produced. The applicant shall have the right to be represented by legal counsel or any other representative of his choosing before the Admissions Committee.

(e) If the applicant does not timely file a written request (1) with the Admissions Committee for its consideration of his application pursuant to paragraph (b) of this Rule or (2) with the office of the Secretary for a hearing pursuant to paragraph (d) of this Rule, the Admissions Committee shall take appropriate action with respect to the application and shall notify the applicant of such action, which action shall be the final action of the Exchange upon the serving of such notice.

(f) The Exchange shall make a record of any proceedings conducted under this Rule. The record need not be transcribed unless a transcript is requested by the Commission staff or the applicant, or the decision of the Admissions Committee is reviewed by the Board of Directors or the Commission. If an applicant requests a transcript or applies for and is granted review of his membership denial by the Board of Directors or the Commission, the cost of transcribing the record of the hearing shall be borne by the applicant.

(g) In the event of a favorable vote by the Admissions Committee, the applicant shall be sent written notice thereof and his admission to membership shall become effective pursuant to the provisions of paragraph (c) of this Rule.

(h) In the event of a second unfavorable vote by the Admissions Committee, the applicant shall be sent written notice of such determination which notice shall specify

the grounds therefor. This decision of the Admissions Committee shall become the final decision of the Exchange ten (10) days after notice is served on the applicant unless within that time the applicant petitions the Board of Directors for review of the Admissions Committee's decision.

(i) If the applicant petitions the Board of Directors for review of the Admissions Committee's decision, such petition shall consist of a copy of the record of the hearing before the Admissions Committee and a written statement setting forth his opinion as to why the Admissions Committee's decision is in error or insufficient to preclude his admission to membership. After service upon it of such petition, the Board may, on its own motion, decide to review the matter. Should the Board decide to review the matter, such review shall be conducted solely on the record of the hearing before the Admissions Committee and the Board shall thereafter issue a decision by vote of a majority of its members either affirming or reversing the decision of the Admissions Committee which shall be a final decision of the Exchange. If the Board takes no action on a petition for review of a decision of the Admissions Committee for ninety (90) days after service upon it of such a petition, the decision of the Admissions Committee shall become a final decision of the Exchange.

(j) An applicant for membership must deposit with the Exchange in full all fees required by the Admissions Committee prior to consideration of its application.

(k) Any notice required under the Membership Rules may be served upon an applicant, member, or member organization either personally or by deposit in the United States mail, postage prepaid via registered or certified mail or by courier service addressed to the applicant, member, or member organization at its address as it appears on the books and records of the Exchange. Unless otherwise stated herein, all documents required to be filed with the Exchange must be filed and received by the office of the Secretary on or before the day prescribed therefor.

(l) The Exchange shall provide written notice, as prescribed by the Commission, to the applicant and the Commission within thirty (30) days after any Exchange action denying approval of an application becomes the final decision of the Exchange.

¶ 6202 Qualification of Members

Rule 102. (a) To be eligible for admission as a member of the Exchange, a person must be a natural person at least twenty-one (21) years of age.

(b) (1) Upon admission to membership, a person shall have all the rights and privileges and shall be subject to all the duties and obligations of a member of the Exchange in accordance with the Certificate, By-Laws and Rules of the Exchange.

(2) No person admitted to membership shall be entitled to the rights and privileges thereof until he has pledged in writing in form satisfactory to the Exchange to abide by the Certificate, By-Laws and Rules of the Exchange, as they may be amended from time to time.

(c) Every member must continue to meet the qualifications for membership contained in the Certificate, By-Laws and Rules of the Exchange, including the registration requirements contained in Rules 305, 341 and 344.

Amendments.

May 7, 1993

[The next page is 6033-3.]

¶ 6203**Acceptability of Members**

Rule 103. The Exchange may deny membership to any applicant or the registration of a membership for any organization if the Exchange determines that any of the circumstances contained in Sections 8a(2), (3), (4) and (11) of the Act exists with respect to such applicant or organization or any person associated with such applicant or organization. For the purpose of this Rule, the term "person associated with" when applied to any person shall mean, as applicable, any general partner, officer, or director of such person, any holder or beneficial owner of ten percent or more of the outstanding shares of any class of stock of such person, any person who has contributed ten percent or more of the capital of such person or any person directly or indirectly controlling such person.

Amendments.

May 7, 1993

¶ 6204**Member Organizations**

Rule 104. (a) A member or applicant for membership who is or intends to become affiliated with an organization as a general partner or officer or in another capacity which may be acceptable to the Admissions Committee may apply to register his membership for such organization, provided that no member or applicant may register a membership for more than one organization. Subject to the provisions of the Disciplinary Rules, a member shall be liable to the same discipline and penalties for any act or omission of such organization or any general partner, officer, director or employee thereof, as for his own personal act or omission.

(b) Every organization which is not a member organization and for which a member or applicant for membership proposes to register its membership shall apply for approval as a member organization and shall submit such information in such form as may be required by the Admissions Committee in accordance with the procedures set forth in Rule 101.

(c) No organization shall be approved as a member organization unless the application for registration of a membership for such organization is approved by the Admissions Committee.

(d) Every organization which has been approved as a member organization must continue to meet the qualifications of a member organization contained in the By-Laws and Rules of the Exchange and must continue to have affiliated with it, except as otherwise specifically provided in Rule 113, a member of the Exchange in good standing whose membership is registered for such organization.

(e) A member whose membership has been registered for a member organization pursuant to this Rule shall retain and hold legal title to such membership. A member organization may hold equitable title thereto pursuant to an ABC Agreement which complies with the requirements of Rule 122.

(f) A member whose membership has been registered for a member organization pursuant to this Rule may terminate such registration by giving written notice stating the desired date of such termination to the Exchange and said member organization not less than thirty (30) days in advance of such date. Subject to the approval of the Admissions Committee, the status of the member organization shall terminate on the date of termination stated in the member's notice unless another membership is then registered for the member organization or unless such member organization has been granted continued member organization status pursuant to Rule 113.

(g) As used herein, the following terms shall have the following meanings:

(1) The term "legal title" means the rights and privileges of membership in the Exchange of the natural person holding legal title to a membership share,

except that if another person holds "equitable title" to such membership share, the rights and privileges of membership afforded to the holder of legal title do not include the right to share in the assets of the Exchange upon any liquidation, dissolution or winding up of the Exchange.

(2) The term "equitable title" means the right to share in the assets of the Exchange upon any liquidation, dissolution or winding up of the Exchange, which does not include any other rights and privileges of membership in the Exchange.

¶ 6205 Purchase, Sale or Transfer of Membership Shares

Rule 105. (a) Membership shares may be purchased from the Exchange when and as made available by the Exchange. The purchaser shall deposit with the office of the Secretary a certified check for twenty percent (20%) of the purchase price of any membership share purchased under this paragraph (a) within fourteen (14) days after such purchaser is notified of his approval pursuant to Rule 101 or such other period of time as may be applicable. The purchase of such a membership share thereafter shall be effected in accordance with paragraphs (e) and (f) of this Rule.

(b) Outstanding membership shares which are transferable may be purchased only through the office of the Secretary. Bids must be submitted in writing to the office of the Secretary. The Secretary will file all bids according to the highest price and the earliest submission date. All bids remain in effect until written revocation thereof is received by the office of the Secretary, except that such bids shall not be binding in any transfer of a membership share by the Admissions Committee pursuant to Rule 116.

(c) Outstanding membership shares which are transferable may be transferred only through the office of the Secretary. All offers for the sale of a membership share must be submitted in writing to the office of the Secretary. The Secretary will file all such offers according to the lowest price and the earliest submission date. All offers remain in effect until written revocation thereof is received by the office of the Secretary.

(d) When an offer filed in accordance with paragraph (c) is matched with a bid filed in accordance with paragraph (b) of this Rule, the purchaser must deposit with the office of the Secretary a certified check for twenty percent (20%) of the purchase price; and the person whose membership share is being transferred or its legal representative must execute and deliver to the office of the Secretary an agreement to transfer the membership share to the purchaser.

(e) Written notice of a proposed transfer, either voluntary or by the Admissions Committee, including the purchase of a membership share from the Exchange, shall be sent to each member and member organization and posted on the Floor for not less than seven (7) consecutive days immediately preceding the effective date of such transfer, which notice shall specify such date.

(f) On the last business day of the posting period specified in paragraph (e) of this Rule, the purchaser must deposit with the office of the Secretary a certified check for the balance of the purchase price and any other monies due the Exchange. Written notice of the transfer shall be sent to each member and member organization and posted on the Floor.

(g) Following the consummation of such transfer, the transferor of such membership share shall cease to have any rights or privileges of membership, except that such transfer shall not affect the rights of the transferor or the member organization for which the transferor's membership was registered, relating to claims pursuant to Rule 107.

Amended.

August 15, 2003 (2003-02).

¶ 6206**Contracts on the Exchange by Transferors**

Rule 106. A member proposing to transfer its membership share to another person shall not make any contract on the Floor after the last business day prior to the effective date of such transfer, unless such member shall remain a floor member in good standing notwithstanding the transfer.

¶ 6207**Priorities in Disposition of Proceeds of Transfer of Membership Shares**

Rule 107. (a) Upon any transfer of a membership share other than the transfer of legal title pursuant to a lease or any reversion thereof or the transfer of legal title only to a membership share subject to an ABC Agreement, whether made voluntarily or pursuant to a transfer of a membership share by the Admissions Committee, the proceeds thereof shall be applied by the Exchange to the following purposes and in the following order of priority:

(1) Due to Exchange. The payment of such sums as the Exchange shall determine are, or may become, due to the Exchange from the member whose membership share is transferred or from a member organization for which such membership is registered.

(2) Due to Clearing Corporation. The payment of such sums as the Exchange shall determine are, or may become, due to the Clearing Corporation from such member or such member organization.

(3) Claims of Members. The payment to creditors who are members or member organizations of the Exchange of all properly filed claims arising in the ordinary course of their commodities businesses.

(b) If the proceeds of the transfer of the membership share are insufficient to pay to creditors who are members or member organizations of the Exchange all filed claims allowed by the Exchange, then such claims shall be paid pro rata, except as provided in Rule 108 and Rule 110.

(c) If a claim based on a contract is contingent or the amount that will be ultimately due thereon cannot for any reason be immediately ascertained and determined, the Exchange may, out of the proceeds of the membership share, reserve and retain such amount as it may deem appropriate, pending determination of the amount due on such claim.

(d) A claim shall be allowed by the Exchange for the amount due thereon only after the proceeds of the sale of all collateral held therefor or the fair value of such collateral as determined by the Exchange has been credited thereon and the Exchange may require that any such collateral be disposed of before release or releases satisfactory to the Exchange, unless the Exchange shall determine that the protection of creditors of the member organization with which said member is affiliated requires the use of such surplus or any part thereof, or that the member agreed that such surplus shall be paid to such organization. In either such event, such surplus shall be paid over to such organization upon the execution by said member or organization of a release or releases satisfactory to the Exchange.

¶ 6208**Failure to File Claim**

Rule 108. A member or member organization shall forfeit all rights under Rule 107 to share in the proceeds of a membership share which has been transferred, unless such member or member organization files a statement of its claim with the Exchange prior to the transfer; a claim filed subsequent to a transfer, to the extent allowed by the Exchange, may be paid out of any surplus remaining after all other claims allowed by the Exchange have been paid in full and may be paid in preference to claims referred to in Rule 110 not already paid when it is filed.

¶ 6209

Assignment of Interest in Membership Share

Rule 109. (a) Except as may otherwise specifically be provided in the By-Laws and Rules of the Exchange, no recognition or effect shall be given by the Exchange to any agreement or to any instrument entered into or executed by a member or by its legal representative which purports to transfer or assign such member's interest in its membership share or in the proceeds or any part thereof, or which purports to create any lien or other right with respect thereto, or which purports in any manner to provide for the disposition of such proceeds to a creditor of such member; nor shall payment of such proceeds be made by the Exchange to any agent or attorney-in-fact of a member except as may be explicitly permitted by the By-Laws and Rules of the Exchange in those cases in which such agent or attorney-in-fact is acting solely for and on behalf of such member and is neither directly nor indirectly acting in his own behalf or in behalf of any third person.

(b) The Exchange shall recognize and give effect to a valid instrument entered into, or executed by, a member or his legal representative by which a member, in consideration of a loan or guarantee of a loan by another person for the purpose of purchasing a membership share, has authorized the lender or guarantor to sell the membership share in specified circumstances; provided, however, that such sale shall be effected in accordance with the requirements of Rule 105 and subject to the order of priorities set forth in Rule 107.

¶ 6210

Claims of Partners, Etc.

Rule 110. Claims arising out of transactions between the member of the Exchange whose membership share is being disposed of and a person associated with such member or out of transactions between such member and the organization for which his membership was registered at the time of such transactions shall not share in the proceeds of the subject membership share until all other claims allowed by the Exchange have been paid in full.

¶ 6211

Claims by Former or Deceased Members

Rule 111. When a member is in debt to another member, the death of the creditor member or the transfer of its membership share, either by himself voluntarily or by the Admissions Committee, shall not affect the rights of such creditor member, his firm, or estate, to share in the proceeds of the membership share of the debtor member under Rule 107, in the same manner and to the same extent as if such creditor member had not died or his membership share had not been transferred.

¶ 6212

Membership Share of Deceased Member

Rule 112. (a) When a member dies, all rights and privileges of membership in the Exchange shall terminate, except as otherwise expressly provided in the By-Laws and Rules of the Exchange and if he is holding his membership share otherwise than by lease or subject to an ABC Agreement, his membership share may be transferred by the Admissions Committee, upon ten (10) days' written notice to such member's executor or administrator if such member's executor or administrator does not transfer the membership share within ninety (90) days from the later of:

(1) the member's date of death, or

(2) the date on which another member of the Exchange who is a general partner or officer of the organization for which such membership share was registered or affiliated with such member organization in another capacity which is acceptable to the Admissions Committee registers his membership for it, or on which such member organization ceases to be a member organization.

(b) The death of a member shall not affect the rights of creditors under the Rules of the Exchange.

(c) The death of a member shall not affect the rights or obligations of such member, the member organization for which his membership was registered or the member's estate relating to any claims under Rule 107 and shall not affect the right of his executor or administrator to sell such membership share except as provided in this Rule.

(d) The Admissions Committee may direct the sale of any membership share of a deceased member for value if legal title to such membership share has not been transferred within two (2) years of the date of death of such member.

¶ 6213

Death or Disaffiliation of Sole Member

Rule 113. (a) A member organization whose sole member, the membership of whom is registered for such organization pursuant to Rule 104, has died or, except where such member has notified the Admissions Committee of his desire to terminate such registration under paragraph (f) of Rule 104, has ceased to be affiliated with such member organization, shall immediately notify the Admissions Committee of such event and shall continue to have the status of a member organization in the Exchange for a period of thirty (30) business days from the member's date of death or cessation of affiliation with the member organization.

(b) The Admissions Committee in its discretion and on application of such member organization, may permit such organization to continue to have the status of a member organization for up to an additional sixty (60) days to enable another member of the Exchange who is a general partner or officer of the organization or who is affiliated with the organization in another capacity which is acceptable to the Admissions Committee to register his membership for the organization.

(c) Any partnership which is permitted to continue to have the status of a member organization pursuant to paragraph (b) of this Rule must meet the following requirements if the deceased or disaffiliated member was a general partner in the member organization:

(1) the partnership articles of such firm must provide for the continuance of the firm as a partnership by the surviving partners, and

(2) the deceased or disaffiliated member shall have agreed in the partnership articles of such firm that such continuing firm, if permitted by the Admissions Committee to continue to have the status of a member organization, shall be entitled to the use of his membership from the date of his death or disaffiliation from the partnership until the termination of such status of such continuing firm or until another member of the Exchange who is a general partner of the firm or who is affiliated with the firm in another capacity which is acceptable to the Admissions Committee registers his membership for such firm; and that, insofar as may be necessary for the protection of creditors of the continuing firm and subject to the By-Laws and Rules of the Exchange, the proceeds of his membership share shall be an asset of the continuing partnership during such period.

(d) Any corporation which is permitted to continue to have the status of a member organization pursuant to paragraph (b) of this Rule must meet the following requirements if the deceased or disaffiliated member was an officer in the member organization:

(1) the member organization must continue in business and

(2) the deceased or disaffiliated member shall have agreed with the corporation that said corporation, if permitted by the Admissions Committee to continue to have the status of a member organization, shall be entitled to the use of his membership from the date of his death or disaffiliation from the corporation until the termination of such status of such corporation or until another member of the Exchange who is an officer of the corporation or who is affiliated with the corporation in another capacity which is acceptable to the Admissions Committee

registers his membership for the corporation; and that, insofar as may be necessary for the protection of the creditors of the corporation and subject to the By-Laws and Rules of the Exchange, the proceeds of his membership share shall be an asset of the corporation during such period.

(e) Any partnership or corporation which is permitted to continue to have the status of a member organization pursuant to paragraph (b) of this Rule must meet the following requirements if the deceased or disaffiliated member was affiliated with the partnership or corporation in a capacity acceptable to the Admissions Committee other than as a general partner or officer, respectively:

(1) the member organization must continue in business and

(2) the deceased or disaffiliated member shall have agreed with the partnership or the corporation that said partnership or corporation, if permitted by the Admissions Committee to continue to have the status of a member organization, shall be entitled to the use of his membership from the date of his death or disaffiliation from the partnership or the corporation until the termination of such status of such partnership or corporation, or until another member of the Exchange who is a general partner of the partnership or who is an officer of the corporation, or who is affiliated with the partnership or the corporation in another capacity which is acceptable to the Admissions Committee registers his membership for the partnership or the corporation; and that, insofar as may be necessary for the protection of the creditors of the partnership or the corporation and subject to the By-Laws and Rules of the Exchange, the proceeds of his membership share shall be an asset of the partnership or the corporation during such period.

(f) Upon the transfer of the membership share of such deceased or disaffiliated member, the proceeds thereof shall be applied to the same purposes and in the same order of priority as if such member had continued to be a member of the Exchange and a general partner, or an officer, or affiliated with said organization in a capacity acceptable to the Admissions Committee until the date of termination of the status of said organization as a member organization or until another member of the Exchange who is a general partner or an officer of said organization, or who is affiliated with said organization in another capacity which is acceptable to the Admissions Committee registers his membership for said organization, whichever event occurs first.

(g) In the event the Admissions Committee does not permit an organization to continue to have the status of a member organization under paragraph (b) of this Rule, the Admissions Committee shall notify such organization forthwith and give the reasons for such denial.

(h) As used herein, the cessation of affiliation of a member with a member organization shall include the suspension or expulsion of such member from the Exchange.

¶ 6214 Rights of Members or Member Organizations Following Suspension or Expulsion

Rule 114. (a) When a member is expelled or when the approval of a member organization is terminated, all membership rights and privileges of such member or member organization shall terminate, except the right of such member to share in the assets of the Exchange upon any liquidation, dissolution or winding up of the Exchange, the right of such member to the proceeds of the transfer of its membership share and the right of such member or member organization to assert claims against others, all as provided under the By-Laws and Rules of the Exchange. The expulsion of a member shall not affect the rights of creditors under the Rules of the Exchange.

(b) When a member is expelled or is suspended and becomes ineligible for reinstatement, his membership share may be transferred by the Admissions Committee

on at least fifteen (15) days' written notice mailed to such member at such member's address registered with the Exchange.

(c) When a member or member organization is suspended, all membership rights and privileges shall be suspended during the term of the suspension, except the right of such member to share in the assets of the Exchange upon any liquidation, dissolution or winding up of the Exchange, the right of such member to the proceeds of the transfer of its membership share, and the right of such member or member organization to assert claims against others, all as provided under the By-Laws and Rules of the Exchange. The suspension of a member or member organization shall not affect the rights of creditors under the Rules of the Exchange nor shall it in any way relieve such member or member organization of its obligations under the Rules of the Exchange to perform all commodity futures or option contracts entered into on the Exchange.

(d) If the Admissions Committee determines that the protection of those persons entitled to make claims against the proceeds of a transfer of the membership share of a suspended member requires the transfer of such membership share, such membership share may be transferred by the Admissions Committee, on at least fifteen (15) days' written notice mailed to such member at such member's address registered with the Exchange, unless within such time the member requests a hearing pursuant to such procedures as the Admissions Committee shall prescribe which shall be set forth in such notice.

¶ 6215 Membership Shares Purchased by the Exchange

Rule 115. Membership shares may be purchased by the Exchange, at such time or times and at such price or prices as the Board of Directors may from time to time determine, and such membership shares may be sold by the Exchange, at such time or times and at such price or prices as the Board of Directors may determine. Such membership shares, while held by the Exchange, shall not be chargeable with dues.

Upon the purchase by the Exchange of any membership share, such membership share shall be transferred into the name of the Secretary of the Exchange. Upon the sale of any membership share held by the Exchange, such membership share shall be transferred by the Secretary into the name of the purchaser.

Upon the transfer of a membership share into the name of the Secretary, the proceeds thereof shall be applied to the purposes and in the order of priority set forth in Rule 107.

¶ 6216 Transfer of Membership Share by Admissions Committee

Rule 116. (a) Whenever the transfer of a membership share is directed by the Admissions Committee, any bid for a membership share then on file with the Secretary or any bid received by the Secretary within thirty (30) days thereafter, may be accepted for such membership share by the Secretary, subject to the provisions of the By-Laws and Rules of the Exchange, and if at the time such sale is directed, offers of sale of other membership shares shall have been filed with the Secretary and are still open, such bid for a membership share shall be available for the sale of the membership share whose sale has been directed by the Admissions Committee in priority over the sale of such other membership shares. The proceeds of such transfer shall be distributed in the manner provided in Rule 107.

(b) The person who is the highest bidder shall, on the day of such auction, deposit with the office of the Secretary a certified check for twenty percent (20%) of the purchase price.

(c) The consummation of the transfer shall occur on the day following the last day of posting as required by Rule 105(e). On the last business day of such posting period, the purchaser must deposit with the office of the Secretary a certified check for the balance of the purchase price and any other monies due the Exchange.

¶ 6215 Rule 115

(d) If within thirty (30) days after the Admissions Committee shall have directed the transfer of such membership share, no bids in writing for a membership share shall have been filed with the Secretary, such membership share may be purchased by the Exchange for such sum as the Board of Directors shall, in its sole discretion, deem proper.

¶ 6217 Ownership of Membership; Liability for Exchange Debts

Rule 117. (a) The Exchange shall treat the person in whose name any membership share is registered on the books of the Exchange as the sole owner thereof, for all purposes, and shall not recognize any equitable or other claim to, or interest in, such membership share on the part of any other person, except as may be otherwise provided in the Membership Rules.

(b) A member or member organization shall not have any liability for debts or obligations of the Exchange and shall not, by virtue of being a member or member organization, have any authority to bind the Exchange or act as its agent.

¶ 6218 Leasing of Membership Shares

Rule 118 (a) A person may lease legal title to its membership share to a person who has applied for approval and has been approved as a member by the Exchange in accordance with the Rules of the Exchange.

(b) A person shall notify the Exchange in writing prior to any leasing of his membership share and shall register with the Exchange as an approved lessor in accordance with the provisions of Rule 119. A fully executed copy of the lease agreement and any amendment thereto shall be filed with and approved by the Admissions Committee prior to the effectiveness of the lease agreement or any amendment thereto.

(c) In order to be approved by the Admissions Committee, a lease agreement shall include provisions stating:

(1) that the lease agreement shall not be effective until the transfer of the membership share is approved pursuant to the Rules of the Exchange;

(2) that the lease agreement shall be subject to cancellation by the lessor or the lessee upon at least thirty (30) days' prior written notice to the Exchange and to the other party and subject to the lessee's death or incompetency in which case the lessee's legal representative shall give prompt notice thereof to the Exchange and the lessor;

(3) all financial arrangements between the lessor and lessee regarding the leasing of the membership share and requiring the lessee to pay the Exchange or any of its affiliates all applicable dues, fees, charges or other assessments arising from the use of the membership share;

(4) that the lessee shall not be permitted to transfer, to pledge or otherwise to encumber legal title to the membership share during the term of the lease;

(5) that upon the death or incompetency of the lessee, the expiration of the term stated in the lease agreement, or the occurrence of any other event specified in such agreement, the lease agreement shall terminate and legal title to the membership share shall revert to the lessor in accordance with the By-Laws and Rules of the Exchange;

(6) that upon any event specified in subparagraph (c)(5) of this Rule, the lessee or his legal representative shall not use the membership share for any purpose without the written consent of the lessor;

(7) that during the term of the lease, the lessee shall be deemed to be a member of the Exchange for all purposes of the Certificate, By-Laws and Rules of the Exchange, except as set forth in subparagraph (c)(4) of this Rule and that the

lessee shall not share in the assets of the Exchange upon any liquidation, dissolution or winding up of the Exchange;

(8) that any controversy arising between the lessor and the lessee relating to the lessee's membership share or the lease agreement shall be submitted for arbitration as a dispute between members in accordance with the Arbitration Rules of the Exchange; and

(9) that the Exchange may dispose of a membership share subject to a lease agreement in accordance with the By-Laws and Rules of the Exchange.

(d) Upon termination of the lease agreement for any reason, the legal title to the membership share subject to the lease agreement shall not be considered for transfer to any person, including reversion to the lessor, unless and until the lessor, or his legal representative, has provided the Exchange with written notice of the name of the person applying to hold legal title to the membership share and such person has made application therefor. Such written notice shall be provided to the Exchange within sixty (60) days after the date of termination of the lease agreement or at any time prior to the termination of the lease agreement. Failure to provide such notice or for such person to make application within thirty (30) days after such notice shall authorize the Admissions Committee to dispose of the membership share formerly subject to the lease agreement, including the lessor's interest therein.

(e) As used herein, the following terms shall have the following meanings:

(1) the term "lessor" means a holder of equitable title to a membership share in the Exchange, including a former member of the Exchange, who has leased legal title to his membership share to a lessee and has retained equitable title to such membership share, pursuant to the By-Laws and Rules of the Exchange; and

(2) the term "lessee" means a natural person who has leased legal title to his membership share from a lessor, pursuant to the By-Laws and Rules of the Exchange.

¶ 6219

Approved Lessor

Rule 119. (a) A person proposing to lease its membership share shall register with the Exchange as an approved lessor.

(b) A person shall not be registered as an approved lessor:

(1) unless a standard form subordination and sale agreement meeting the requirements of Rule 120 is executed and filed by such person with the Exchange; or

(2) if the person is the subject of, or a party to, a disciplinary proceeding by the Exchange or another self-regulatory organization or an adjudicatory proceeding brought by the Commission or the Securities and Exchange Commission, or has not paid any dues, fees, charges, fines or other assessments to the Exchange or any of its affiliates, or for other good and sufficient reason as the Exchange may determine. The Exchange may waive any of the conditions specified in this subparagraph (b)(2) under appropriate circumstances.

(c) A person applying to register with the Exchange as an approved lessor shall submit such information in such form as may be required by the Exchange.

¶ 6220**Subordination and Sale Agreement**

Rule 120. (a) The subordination and sale agreement shall be in a form acceptable to the Exchange. It shall be executed by the lessor and filed with the Admissions Committee with the accompanying executed lease agreement pursuant to Rule 118.

(b) The subordination and sale agreement shall authorize the Exchange to sell the membership share (1) in the event it becomes necessary to satisfy the claims of creditors of the lessee or of any member organization with which the lessee is affiliated arising out of the business transacted by the lessee during the term of the lease agreement or (2) pursuant to the provisions of the By-Laws and Rules of the Exchange for nonpayment by the lessee of dues, fees, charges, fines or other assessments or other debts. Such agreement shall further state that the proceeds of such sale shall be an asset of the lessee.

(c) The subordination and sale agreement shall state that the lessor agrees that his interest in the membership share shall be subordinate to the claims of creditors of the lessee or of any member organization with which the lessee is affiliated arising out of the business transacted by the lessee during the term of the lease agreement.

¶ 6221**ABC Agreement**

Rule 121. (a) Every applicant who is financing part or all of the cost of his membership share through an ABC Agreement shall file the ABC Agreement along with his application for membership for review by the Admissions Committee.

(b) As used herein, an ABC Agreement is a contract between a member and the member organization with which the member is affiliated pursuant to which a portion of the risk of fluctuations in the value of the membership share shall rest with the member organization rather than with the member. The ABC Agreement shall be consistent with the requirements of Rule 122 and with such other requirements as the Exchange may prescribe.

¶ 6222**Standard Terms of ABC Agreement**

Rule 122. An ABC Agreement shall comply with the following terms:

(a) The parties to an ABC Agreement shall be (1) a general partner or officer of a member organization, or an individual who is affiliated with the member organization in another capacity which is acceptable to the Admissions Committee and (2) the member organization with which such person is affiliated;

(b) the member organization shall provide all or part of the funds for the purchase of a membership share of which the legal title thereof shall be placed in the member and the equitable title thereof shall be placed in the member organization;

(c) the member shall contribute the use of the membership share to the member organization and shall subject the membership share to the claims of the creditors of the member organization in accordance with the By-Laws and Rules of the Exchange;

(d) upon notice of the member organization's termination as a member organization of the Exchange, notice of the member's termination of his affiliation with the member organization, or the member's death or incompetency, the member or his legal representative shall, upon written consent of the membership organization,

(1) retain the membership share and pay an amount necessary to the member organization for the purchase of another membership share,

(2) sell the membership share and pay the proceeds thereof to the member organization,

(3) transfer legal title to a person affiliated with the member organization in accordance with the By-Laws and Rules of the Exchange, or

(4) transfer legal title to the membership share to a lessee in accordance with the By-Laws and Rules of the Exchange;

(e) upon notice of any event specified in paragraph (d) of this Rule, the member or his legal representative shall not use the membership share for any purpose without the written consent of the member organization;

(f) any controversy between the member and the member organization relating to the use of the membership share or the ABC Agreement shall, at the instance of either party, be submitted for arbitration as a dispute between members in accordance with the Arbitration Rules of the Exchange; and

(g) the ABC Agreement shall provide for appropriate procedures with respect to the exercise of rights thereunder.

¶ 6223 Sale and Subordination of Membership Share Subject to an ABC Agreement

Rule 123. (a) A member holding legal title to its membership share subject to an ABC Agreement and the member organization with which he is affiliated shall execute a sale and subordination agreement meeting the requirements of paragraph (b) of this Rule.

(b) The sale and subordination agreement under this Rule shall authorize the Exchange to sell the membership share (1) in the event it becomes necessary to satisfy the claims of creditors of the member or of any member organization with which the member is affiliated arising out of the business transacted by the member during the term of the agreement or (2) pursuant to the provisions of the By-Laws or Rules of the Exchange for nonpayment by the member or member organization of dues, fees, charges, fines or other assessments or other debts. The agreement shall further state that the proceeds of such sale shall be an asset of the member and the member organization with which he is affiliated.

¶ 6224 Lease of Membership Share Subject to ABC Agreement

Rule 124. A member may lease legal title to a membership share subject to an ABC Agreement under the following conditions:

(a) the written consent of the organization that is the party to the ABC Agreement shall be required;

(b) the leasing of the membership share shall be effected in accordance with the By-Laws and Rules of the Exchange;

(c) in addition to meeting the requirements of Rule 118, the lease agreement shall address the termination of the status of the organization as a member organization, the lessor's termination as a person affiliated with the organization, or the lessor's death or incompetency in a manner satisfactory to the Exchange; and

(d) the lessor and the organization with which he is affiliated shall each qualify as an approved lessor under Rule 119 and shall comply with Rule 120.

¶ 6225 Transfer of Membership Share Subject to Leasing Agreement or ABC Agreement by Admissions Committee

Rule 125. The Admissions Committee is authorized to direct the transfer of a membership share subject to a leasing agreement or a membership share subject to an ABC Agreement, including the equitable interest therein, at the time legal title to the membership share is transferred voluntarily or in accordance with the By-Laws and Rules of the Exchange. Such transfer shall take place pursuant to the procedures set forth in Rule 116, except that the transfer shall not take place until a reasonable time has elapsed during which the Exchange may consider any claims against the lessee. Absent special circumstances, such period of time shall be presumed to be the posting

period required under paragraph (e) of Rule 105. The lessor shall not have any right to such proceeds during this time period.

¶ 6226**Transfer of Equitable Title**

Rule 126. A transfer of equitable title to a membership share may be made upon submission of the name of the candidate to the Admissions Committee and notice thereof to the membership of the Exchange by posting such notice on the Floor in accordance with the provisions of paragraph (e) of Rule 105. Such a transfer may not be effected pursuant to a leasing agreement. The Exchange may disapprove any such transfer if it determines that such transfer would be contrary to the Act or the Commission's Regulations or to the By-Laws and Rules of the Exchange, or for other good cause.

¶ 6227**Limitation of Exchange Liability and Reimbursement of Certain Expenses**

Rule 127. (a) The Exchange shall not be liable for any damages sustained by a member or member organization arising out of the use or enjoyment by such member or member organization of the facilities afforded by the Exchange to members for the conduct of their business.

(b) The cost to the Exchange of producing, pursuant to court order or other legal process, records relating to the business or affairs of a member or member organization may, in the discretion of the Exchange, be required to be paid to the Exchange by such member or member organization, whether such production is required at the instance of such member or member organization or at the instance of any other party.

(c) In the event any action or proceeding is brought to impose liability on the Exchange for an alleged failure on its part to prevent or to require action by a member or member organization, said member or member organization may, in the discretion of the Exchange, be required to reimburse the Exchange for:

(1) all expenses and counsel fees incurred by the Exchange in connection with said action or proceeding, (2) the recovery, if any, adjudged against the Exchange upon a final determination that the Exchange was liable for the damage sustained, and (3) any payment made by the Exchange with the approval of the member or member organization in connection with any settlement of any such action or proceeding; provided, however, that no member or member organization shall be required to reimburse the Exchange for any fine or any other civil penalty imposed on the Exchange by the Commission or any other governmental entity for a violation by the Exchange of any provision of the Act or of any Commission Regulation, or where indemnification would otherwise be prohibited by law.

¶ 6228**Dues, Fees and Charges**

Rule 128. The Board of Directors may fix and impose assessments, initiation, leasing and transfer fees, and other fees, dues and charges to be paid by members and member organizations for applications, registrations, approvals, use of Exchange facilities or other services or privileges granted, and such assessments, fees, dues and charges may be imposed in different amounts or proportions for different classes of members or member organizations. All such assessments, fees, dues and charges shall be payable under such terms and conditions as the Board may prescribe.

¶ 6229

Transaction Charges

Rule 129. The Board of Directors may fix and impose a charge upon each member and member organization measured by the number of transactions or contracts effected by such member or member organization through the facilities of the Exchange. In fixing the amount of such charge, the Board may establish different rates for transactions or contracts involving different commodity interests or for transactions or contracts effected for non-members or non-member organizations, or for various classes of members and member organizations, or may omit such charge for any class or classes of members or member organizations. Such charges shall be payable under such terms and conditions as the Board may prescribe.

¶ 6230

Failure to Pay Dues, Etc.

Rule 130. A member or member organization which fails to pay its dues, fees, charges, fines or other assessments within ninety (90) days after the same become payable shall be notified in writing of such arrearages. If such arrearages have not been paid within twenty (20) days after such notice, the Board of Directors may suspend the delinquent member or member organization, which suspension shall continue until the monies owed the Exchange, together with any other sums which accrued and remain unpaid since the suspension became effective, are paid. Should payment of dues, fees, charges, fines or other assessments not be paid within one (1) year after payment is due, the membership share may be disposed of by the Admissions Committee upon at least ten (10) days' written notice mailed to him at his address registered with the Exchange.

¶ 6231

**Liability for Dues and Other Fees or Charges
Until Transfer of Membership**

Rule 131. Notwithstanding the death, suspension or expulsion of a member, the member or in the event of his death his estate shall continue liable for the payment of dues, fees, charges or other assessments to the Exchange as the same becomes due and payable until such membership share is transferred.

¶ 6232

Dues on Transfer of Membership Share

Rule 132. When a membership share is transferred, the transferee shall pay to the transferor on the date of transfer the unexpired portion of the dues for the current half year.

¶ 6233

**Notice of Changes Within Member or Member
Organization**

Rule 133. (a) Each member and member organization, as applicable, shall give prompt written notice to the Exchange on such form as may be required by the Exchange: (1) of the death, retirement, resignation or any change in status of any person affiliated with such member or member organization; (2) of the sale of substantially all of the assets, merger, consolidation, liquidation, or dissolution of the member organization; and (3) of any material change in the ownership interests of such member organization by any member affiliated with the member organization.

(b) Each member affiliated with a member organization shall promptly notify such member organization of its acquisition or disposition of a material ownership interest in the member organization.

(c) Any amendments to the partnership articles, in the case of a member organization which is a partnership; any amendments to the charter or certificate of incorporation or by-laws, in the case of a member organization which is a corporation; and any amendments to instruments corresponding thereto, in the case of a member organization which is a trust or association, must be submitted to the Exchange prior to becoming effective. If such member organization is a futures commission merchant,

any amendments to the forms of stock certificates or instruments corresponding thereto, or any agreements or other documents relating to the business or affairs of such organization between it and any of its shareholders, partners, officers, directors, trustees or associates, other than agreements relating to ordinary securities or commodities transactions, must also be submitted to the Exchange prior to becoming effective.

(d) Any member or member organization which files an application for registration with the Commission to become a futures commission merchant, introducing broker or floor broker shall concurrently deliver a copy of such application to the Exchange, and shall promptly notify the Exchange of any action taken by the Commission with respect to such application.

(e) Each member organization shall submit to the Exchange, at such times as the Exchange may require, a list which, to the best of its knowledge and belief, states the name of each person directly or indirectly beneficially owning one percent (1%) or more of the ownership interest of such member organization, and shows the percentage of such ownership and the person's affiliation, if any, with such member organization.

¶ 6234 Addresses of Members and Member Organizations

Rule 134. Every member and member organization shall register with the Secretary of the Exchange an address and subsequent changes thereof where notices may be served. The registered address of every member who personally transacts business on the Floor must be in the vicinity of the Exchange.

¶ 6235 Disapproval of Business Connections

Rule 135. Whenever it shall appear to the Board of Directors that a member or member organization has formed a partnership, or established an office or headquarters, or is individually or through any participant of its firm interested in a partnership or business, or has formed any business connection whereby the interest or good repute of the Exchange may suffer, the Board may require the dissolution of any such partnership or the discontinuance of such business, office or headquarters or business connection, as the case may be.

Rules 136.—200. Reserved.

RECORDS; REPORTS; RESPONSIBILITY

¶ 6301

Books and Records

Rule 201. (a) Each member and member organization shall prepare and keep current all books, ledgers and other similar records required to be kept by the Commission and shall prepare and keep current such other books and records and adopt such forms as the Exchange may from time to time prescribe.

(b) Each member and member organization shall keep all books and records required to be kept pursuant to paragraph (a) for a period of five years from the date thereof unless otherwise provided in the By-Laws and Rules of the Exchange or required by law. Such books and records shall be readily accessible during the first two years of such period as they are required to be maintained. Reproductions of any such records may be substituted in a manner consistent with Commission Regulations.

(c) During such period as they are required to be maintained by the member or member organization, all such books and records shall be made available for inspection by, and copies shall be delivered to, the Exchange or its authorized representatives upon request.

¶ 6302

Financial Requirements

Rule 202. (a) Each member and member organization which is a futures commission merchant or an introducing broker shall comply with the requirements prescribed in Commission Regulations 1.12 and 1.17 and with the additional requirements of this Rule.

(b) Each member and member organization which is not subject to the requirements prescribed in Commission Regulations 1.12 and 1.17 shall at the time of application for admission to membership or for approval as a member organization, and upon admission to membership or approval as a member organization have net liquid assets in the amount of \$25,000 or more.

(1) Each member who is the sole proprietor of a sole proprietorship that is registered as a registered commodities trader ("RCT") and each member organization affiliated with a member that is registered as an RCT thereafter shall at all time comply with the above requirement of paragraph (b) of this Rule or with the requirements of subparagraphs (b)(1)(i) and (b)(1)(ii) of this Rule:

(i) maintain positive net liquid assets and positive equity in its clearing account or accounts; and

(ii) have filed with the Exchange a Letter of Guarantee which has been issued for such member or member organization by a clearing member and which Letter of Guarantee has not been cancelled pursuant to subparagraph (b)(1)(ii)(B) of this Rule.

(A) The Letter of Guarantee shall provide that the issuing clearing member guarantees the financial responsibility of the member which is registered as an RCT or of the member organization with which the RCT is affiliated with respect to all transactions effected on the Exchange by such RCTs.

(B) The Letter of Guarantee filed with the Exchange shall remain in effect until the Exchange receives written notice from the issuing clearing member of its intent to cancel such Letter of Guarantee. Written notice of intent to cancel received by the Exchange at least one-half hour prior to the normal opening of trading shall become effective on the day of receipt; written notice of intent to cancel received by the Exchange less than one-half hour prior to the normal opening of trading shall not become effective until the opening of trading on the next business day following its receipt by the Exchange. A cancellation shall in no way relieve a clearing member of responsibility for transactions guaranteed prior to the effectiveness of the cancellation.

(2) Each member who is the sole proprietor of a sole proprietorship that is registered as a floor broker and each member organization affiliated with a member that is registered as a floor broker shall thereafter maintain at all times net liquid assets in the amount of \$15,000 or more and, if its membership has not been registered for a clearing member or if such member organization is not a clearing member, establish and maintain at all times an account with a clearing member for the sole purpose of carrying positions resulting from errors made in the course of such floor brokerage business. Prior to effecting any transaction on the Exchange, any such member or member organization shall file with the Exchange a Letter of Guarantee which has been issued for the member or member organization by such clearing member and which has not been cancelled pursuant to subparagraph (b)(2)(ii) of this Rule.

(i) The Letter of Guarantee shall provide that the issuing clearingmember guarantees the financial responsibility of the member which is registered as a floor broker or of the member organization with which the floor broker is affiliated with respect to all transactions effected in the error account of such member or member organization.

(ii) The Letter of Guarantee filed with the Exchange shall remain in effect until the Exchange receives written notice from the issuing clearing member of intent to cancel such Letter of Guarantee. The effectiveness of written notice of intent to cancel the Letter of Guarantee shall be determined pursuant to the provisions of subparagraph (b)(1)(ii)(B) of this Rule. A cancellation shall in no way relieve a clearing member of responsibility for transactions guaranteed prior to the effectiveness of the cancellation.

(3) Each member or member organization of the Exchange which is not subject to any other financial requirement of the Exchange or of the Commission following admission to membership or approval as a member organization shall thereafter at all times maintain net liquid assets in the amount of \$15,000 or more.

(c) Each member and member organization shall file with the Exchange two signed copies of any proposed subordination agreement at least ten (10) days prior to the proposed effective date of the agreement or at such other time as the Exchange for good cause shall accept such filing. Any proposed subordination agreement shall comply with the requirements of Commission Regulation 1.17 applicable to such agreements. No proposed agreement shall become effective unless and until the Exchange has found the agreement acceptable.

(d) Each member and member organization shall file with the Exchange a copy of any notice required to be filed with the Commission pursuant to Commission Regulation 1.17 concurrently with the same being filed with the Commission.

(e) The Exchange may at any time or from time to time, with respect to a particular member or member organization or all members or member organizations or a new member or member organization, prescribe net capital or net worth requirements greater than or in addition to those prescribed under this Rule, including more stringent treatment of items in computing net capital or net worth.

(f) For the purposes of this Rule, the term "net liquid assets" shall have the same meaning as set forth in PHLX Rule 703(b).

¶ 6303**Audit and Financial Filings**

Rule 203. (a) Each member or member organization which is a futures commission merchant or an introducing broker shall prepare and file with the Exchange periodic financial reports in accordance with the requirements prescribed in Commission Regulation 1.10. Each such member and member organization shall file with the Exchange a copy of any other financial or operational reports required by the Commission concurrently with the same being filed with the Commission.

(b) Each member or member organization which is not a futures commission merchant or an introducing broker shall file with the Exchange a copy of its annual financial statement promptly after the same is completed, but in no event later than thirty (30) days after the end of the reporting period, and a copy of any other financial or operational report required by the Commission concurrently with the same being filed with the Commission.

(c) The Exchange may at any time or from time to time require any member or member organization to—

(1) file financial and operational reports in a form and for a time period prescribed by the Exchange, and

(2) cause an audit to be made by an independent public accountant of its accounts in accordance with Commission requirements and the requirements of the Exchange.

(d) Unless a specific temporary extension of time has been granted, there shall be imposed upon any member or member organization required to file reports pursuant to this Rule, a fee of \$100 for each week or part thereof that such report is not filed within the prescribed time, provided that the imposition of such fee shall not preclude the Exchange from taking any other action that it may deem necessary or appropriate. Requests for such extension of time must be submitted to the Exchange in writing no later than the day before the due date of such report.

(e) A copy of any audit or financial or operational report required pursuant to this Rule and all related statements, schedules, work papers and memoranda must be retained in accordance with the provisions of Rule 201.

¶ 6304**Statements Available to Customers**

Rule 204. Each member and member organization shall make available to any customer at his request a statement of its financial condition as of the date of its most recent annual audit report or as of a date subsequent thereto. The financial statement shall fairly present the financial condition of such person.

¶ 6305**Failure to Segregate or Meet Financial Requirements**

Rule 205. Each member and member organization which is a futures commission merchant or an introducing broker shall forthwith notify the Exchange whenever it is required to notify the Commission of any failure to maintain segregated funds or to meet financial requirements under the Commission's Regulations.

¶ 6306**Issuance of Securities**

Rule 206. Whenever a member or member organization which is a futures commission merchant shall offer or sell any security, as defined under the Securities Act of 1933, as amended, or the rules and regulations thereunder (the "1933 Act"), or under the "blue sky" law or the regulations thereunder of any state in which it is proposed that the security be offered, which security is issued by such member or member organization for the purpose of raising capital, such member or member organization must furnish the Exchange with an opinion of counsel satisfactory to the Exchange as to whether or not the securities being offered or sold need be registered under the 1933 Act and a survey of the type customarily prepared in respect of the

underwriting of securities, but not an opinion, as to what action, if any, need be taken with respect to such offer or sale under any applicable state "blue sky" law. Prior to the consummation of the sale of any such security, counsel shall furnish a statement to the Exchange as to the action taken in order to comply with the state "blue sky" law of any state in which the security is offered or sold.

¶ 6307 Disciplinary Action By Other Organizations

Rule 207. A member or member organization shall immediately notify the Exchange in writing of any disciplinary action, including the basis therefor, taken against the member or member organization or any person associated with such member or member organization by the Commission or by another self-regulatory organization.

¶ 6308 Disclosure and Trading by Exchange Employees, Directors and Committee Members

Rule 208. (a) Disclosure of Information.

(i) Employees. An employee of the Exchange shall not disclose to any other person any material, non-public information which such employee obtains as a result of his or her employment at the Exchange if such employee has or should have a reasonable expectation that such information disclosed may assist another person in trading any commodity interest; however, such provision does not prohibit disclosures made in the course of an employee's duties or disclosure made to another self-regulatory organization, linked exchange, court of competent jurisdiction or representative of any agency or department of the federal or state government acting in his or her official capacity.

(ii) Directors and Committee Members. No member of the Exchange's Board of Directors or any standing committee shall use or disclose, for any purpose other than the performance of such person's official duties as a Director or member of a standing committee, material, non-public information obtained as a result of such person's participation on any committee or governing board of the Exchange.

(b) Member Transactions. No member or member organization shall effect a transaction in a commodity interest for an account in which an employee of the Exchange or any affiliate of the Exchange is directly or indirectly interested, or any other commodity interest traded on or cleared by another contract market, linked exchange or clearing organization where such employee has access to material non-public information concerning such commodity interest; provided, however, that such employee may be exempt pursuant to paragraph (d).

(c) Employee Transactions. No employee of the Exchange or any affiliate of the Exchange may purchase or sell for his own account or for the account of others any commodity interest where the employee has access to material nonpublic information concerning such commodity interest.

(d) Exceptions: under the following circumstances, and upon application to and approval by the Exchange, the Exchange may exempt, on a case-by-case basis, an employee from the above prohibition, providing that such an exemption is not contrary to the purposes of Rule 208, CFTC Regulation 1.59, the Act, the public interest or just and equitable principles of trade:

(A) participation in pooled investment vehicles where the employee of the Exchange has no direct or indirect control over transactions executed by the pool;

(B) service as an executor or administrator of an estate;

(C) service in any other fiduciary capacity, such as an officer of a charitable organization, in which the employee receives no pecuniary benefit from the trading of commodity interests;

[The next page is 6051-3.]

(D) trading in commodity interests traded on or subject to the rules of other exchanges under circumstances in which the employee's access to material non-public information as to those commodity interests is sufficiently minimal or attenuated so as to be insignificant.

The Exchange shall establish a procedure for application for and approval of exemptions pursuant to this paragraph. Participation in an Exchange-sponsored savings or retirement plan shall not be deemed to constitute trading directly or indirectly in a commodity interest, notwithstanding such plan's use of pooled funds which utilize commodity interests or the trading thereof.

● ● ● *Commentary:*

.01 With respect to the above-referenced Rule 208 the Exchange has determined that the terms "material non-public information" and "commodity interest" shall be defined pursuant to CFTC regulation 1.59(a).

Amendment.

April 7, 1988.

January 25, 1994 (94-1).

March 1, 1995.

¶ 6309 Transactions for Clerks Entitled to Access to Floor

Rule 209. No member or member organization shall effect a transaction in a commodity interest for an account in which any clerk entitled to access to the Floor is directly or indirectly interested, whether said clerk is its own employee or an employee of another member or member organization, without the prior written consent of the Exchange.

¶ 6310 Reporting of Joint Accounts or Financing Agreements

Rule 210. (a) No member, member organization, partner, officer, or ten (10) percent or more stockholder therein, shall, directly or indirectly, hold any interest or participate in any joint account for buying or selling any commodity interest, unless such joint account is reported to and not disapproved by the Exchange.

(b) Any report required pursuant to paragraph (a) of this Rule shall be filed with the Exchange by the member, member organization, partner, officer, or stockholder therein participating in such joint account before any transaction is effected on the Exchange for such joint account and shall include the following:

(1) the name of each person participating in such account and its respective interest therein;

(2) the purpose of such account;

(3) the amount of commitments in such account; and

(4) a copy of any written agreement or instrument in writing relating to such account.

(c) Each member and member organization shall notify the Exchange of any amendment, cancellation or expiration of any financing agreement entered into with any creditor for the purpose of complying with an Exchange financial requirement or for financing any Exchange transaction at least seventy-two (72) hours in advance or such shorter period as is reasonable in the circumstances if the financial condition of the member or member organization would otherwise be substantially impaired.

¶ 6311

Just and Equitable Principles of Trade

Rule 211. A member, member organization, or person associated with or employed by a member or member organization shall not engage in conduct inconsistent with just and equitable principles of trade.

¶ 6312

Information Requests

Rule 212. Each Member and Member Organization shall timely furnish such information as may from time to time be requested by the Board, any committee of the Board or the Exchange, or any employee of the Exchange, acting in the course of its, their, his or her duties.

Adopted.

October 14, 2003 (2003-12).

Rules 213.—219. Reserved.

CUSTOMER PROTECTION RULES

¶ 6321

Confirmations

Rule 250. Each member and member organization which is a futures commission merchant shall promptly furnish the written confirmations required by Commission Regulation 1.33 to its customers in accordance with the provisions of such Regulation.

¶ 6322

Statements of Account

Rule 251. Each member and member organization which is a futures commission merchant shall promptly furnish the written monthly statements of account required by Commission Regulation 1.33 to its customers in accordance with the provisions of such Regulation.

¶ 6323

Statements to Be Sent to Customers

Rule 252. No member or member organization shall address confirmations, statements or other communications to a customer in care of any employee of such member or member organization, or address such confirmations, statements or other communications to such a customer in its own care or in care of any other member or member organization, unless (1) such member or member organization shall have been so directed in writing by such customer, and (2) duplicate copies of such confirmations, statements, and other communications are addressed to such customer (except when this requirement is waived by the Exchange when permitted under Commission Regulation) at his place of business or residence or at some other address designated in writing by such customer.

¶ 6324

Discretionary Accounts

Rule 253. (a) No member or member organization which is a futures commission merchant or an introducing broker or an associated person thereof may directly or indirectly effect a transaction in a commodity interest for the account of any customer unless, prior to the transaction being effected, the customer or person designated by the customer (by use of a power of attorney or other authorization) to control the account:

(1) specifically authorized the member or member organization or associated person thereof to effect the transaction (a transaction is "specifically authorized" if the customer or person designated by the customer to control the account specifies:

(i) the precise commodity interest to be purchased or sold and

(ii) the exact amount of the commodity interest to be purchased or sold,

or

(2) authorized (by use of a power of attorney or other written authorization) the member or member organization or associated person thereof to effect transactions in commodity interests for the account without the customer's specific authorization. Where discretionary trading has been authorized pursuant to this subparagraph (a)(2) with respect to an option customer account, the following additional requirements shall be complied with by a member or member organization which is a futures commission merchant or an introducing broker:

(i) the member or member organization or associated person thereof must ensure that the option customer is provided with an explanation of the nature and risks of the strategy or strategies to be used in connection with the option customer's account;

(ii) an officer, general partner, sole proprietor, or branch office manager of the member or member organization (other than an individual authorized to exercise discretion in trading the account) must approve, in writing, the discretionary authority prior to any trading for the account involved;

(iii) the member or member organization or associated person thereof must identify as discretionary each order for a discretionary account on the order at time of entry and an officer, general partner, sole proprietor or branch office manager of the member or member organization (other than an individual authorized to exercise discretion in trading the account) must approve, initial and date all orders for a discretionary account; and

(iv) the member or member organization must frequently review discretionary accounts; provided, however, that the provisions of subparagraphs (a)(2)(i)-(iv) shall not apply to any customer account:

(A) of a commodity pool, the operator of which is registered with the Commission as a commodity pool operator;

(B) where the person who has discretionary authority is the spouse, parent or child of the option customer; or

(C) which is an omnibus account of another futures commission merchant.

(b) All authorizations made pursuant to subparagraph (a)(2) must precisely define the terms of the discretionary power or authority.

¶ 6325

Transfer of Accounts

Rule 254. Upon written request from a customer of his intention to transfer his account(s) from one member or member organization to another, both members and/or member organizations shall expedite the transfer, provided that the transfer does not result in a change of ownership, in which case the transfer shall not be effected.

¶ 6326

Adjustment of a Customer Order

Rule 255. (a) No member or member organization shall make any adjustment of a customer's order after the execution of such order except to correct an error. Any loss resulting from an error or mishandling of an order for a customer must be borne by the member or member organization which made the error, and any profits resulting from the error or mishandling of an order shall enure to the benefit of the customer.

(b) Each member or member organization shall maintain a separate file of adjustments, transfers and liquidations that were made pursuant to this Rule which shall be kept in accordance with the provisions of Rule 201.

¶ 6327

Option Risk Disclosure

Rule 256. (a) No member or member organization which is a futures commission merchant or, in the case of an introduced account, an introducing broker may open or cause the opening of an option customer account unless such member or member organization furnishes the option customer with the separate written disclosure statement required by Commission Regulation 33.7 and receives from the customer an acknowledgement signed and dated by the customer that he received and understood such disclosure statement.

(b) Each member, member organization or associated person thereof soliciting or accepting an order for a commodity option transaction, prior to entering into the first such transaction, shall provide the customer with all of the information required under the disclosure statement specified in Commission Regulation 33.7; provided that the member, member organization or associated person thereof shall provide current information to the customer if the information provided previously has become inaccurate and provided further that the member, member organization or associated person thereof also shall inform the customer in writing of the limitations, if any, on the transfer of a customer's account to a futures commission merchant other than the one through whom the commodity option transaction is to be executed.

(c) Each member, member organization or associated person thereof soliciting or accepting an order for a commodity option transaction, prior to entering into such

transaction, shall inform the customer or prospective customer, to the extent that the following amounts are known or can reasonably be approximated, of:

- (1) the premium and any mark-ups thereon, if applicable;
 - (2) commissions, costs, fees and other charges to be incurred in connection with the commodity option transaction; and
 - (3) the strike price and all costs to be incurred by the customer if the option contract is exercised.
- (d) Each member or member organization which is a futures commission merchant or an introducing broker shall establish the procedures and supervision necessary to ensure compliance with the requirements of this Rule.
- (e) This Rule shall not relieve a member or member organization from any obligation under the Act or Commission Regulations, including the obligation to disclose all material information to existing or prospective option customers even if the information is not specifically required by this Rule.
- (f) For the purposes of this Rule, neither a futures commission merchant nor an introducing broker shall be deemed to be a customer.

¶ 6328 Supervision of Option Customer Accounts

Rule 257. Each member or member organization which is a futures commission merchant or an introducing broker which engages in the offer or sale of option contracts shall adopt and enforce written procedures pursuant to which it will be able to supervise adequately each option customer's account, including but not limited to, the solicitation of any such account. As used in this Rule, the term "option customer" does not include another futures commission merchant.

¶ 6329 Submission of Option Promotional Material

Rule 258. Each member and member organization which is a futures commission merchant or an introducing broker engaged in the offer and sale of option contracts shall submit to the Exchange for review all promotional material pertaining to the trading of option contracts on the Exchange at the time such promotional material is first utilized. For the purpose of this Rule, the term "promotional material" means any text of a standardized oral presentation, or any communication for publication in any newspaper, magazine or similar medium, or for broadcast over television, radio, or other electronic medium, which is disseminated or directed to an option customer or prospective option customer concerning an option contract; any standardized form of report, letter, circular, memorandum, or publication which is disseminated or directed to an option customer or prospective option customer; and any other written material disseminated or directed to an option customer or prospective option customer for the purpose of soliciting an option contract transaction, including the disclosure statement required by Commission Regulation 33.7.

¶ 6330 Prohibition of Certain Sales Communications

Rule 259. No member or member organization which is a futures commission merchant or an introducing broker shall make any fraudulent or high pressure sales communications relating to the offer or sale of option contracts.

¶ 6331 Option Customer Complaints

Rule 260. (a) Each member and member organization which is a futures commission merchant or an introducing broker engaging in the offer or sale of option contracts shall, with respect to each written option customer complaint and each oral option customer complaint which results in or would result in an adjustment to the customer's account in an amount in excess of \$1,000:

- (1) retain all such written complaints;
- (2) make and retain a written record of all such oral complaints;
- (3) make and retain a record of:
 - (i) the date the complaint was received;
 - (ii) the name of the associated person who serviced, or the introducing broker who introduced, the account;

- (iii) a general description of the matter complained of; and
 - (iv) a general description of what, if any, action was taken by the member or member organization in regard to the complaint; and
- (b) Immediately send a copy of any such complaint to the Exchange and, upon final disposition thereof, immediately send a copy of the record of such disposition to the Exchange.
- (c) Any statement or record required pursuant to this Rule must be retained and made available in accordance with the provisions of Rule 201.

¶ 6332 Prohibited Option Transactions

Rule 261. No member or member organization shall solicit or accept any option contract order unless it has a reasonable basis to believe that the solicitation or acceptance of such order is consistent with the provisions of Commission Rule 33.3(b).

¶ 6333 Segregation and Secured Requirements

Rule 262. (A) All clearing members must comply with the requirements set forth in CFTC Regulations 1.20 through 1.30, 1.32, and 30.7. This includes, but is not limited to, the following:

- (1) Maintaining sufficient funds in segregation or set aside in separate accounts;
- (2) Computing, recording and reporting completely and accurately the balances in the:
 - (a) Statement of Segregation Requirements and Funds in Segregation; and
 - (b) Statement of Secured Amounts and Funds Held in Separate Accounts;
- (3) Obtaining satisfactory segregation and separate account acknowledgement letters and identifying segregated and separate accounts as such; and
- (4) Preparing complete and materially accurate daily segregation and secured amount computations in a timely manner.

(B) Exchange staff may prescribe additional segregation and secured amount requirements.

(C) All clearing members must provide written notice to the Examinations Department of a failure to maintain sufficient funds in segregation or set aside in separate accounts. The Examinations Department must receive immediate written notification when a clearing member knows or should know of such a failure.

Adopted.

November 1, 2004 (2003-13).

Rules 263.—300. Reserved.

GENERAL TRADING RULES

¶ 6401

Execution of Trades

Rule 301. All purchases and sales of any commodity interest shall be executed openly and competitively by open outcry on the Floor of the Exchange, in the trading areas provided for that purpose by the Exchange, during the regular hours for trading therefor, except as otherwise set forth herein.

Access to and Communication with the Floor

¶ 6402

Communications

Rule 302. Communications shall not be read to the Exchange nor posted on the bulletin board without the consent of the Exchange.

¶ 6403

Employees

Rule 303. No employee of a member or member organization shall be admitted to the Floor unless he is registered with and approved by the Exchange, which may at any time in its discretion withdraw any approval so given.

¶ 6404

Wire and Other Connections

Rule 304. No member or member organization shall establish or maintain any telephonic or other wire connection between his or its office and the Exchange or any private wire connection, private radio, television or wireless system between the Floor and a non-member except with the approval of the Exchange. A member or member organization shall file promptly notice of the discontinuance of any such means of communication with the Exchange.

¶ 6405

Qualifications for Floor Members

Rule 305. (a) Any member seeking to act on the Floor shall satisfy the following requirements:

- (1) submit an application in a form prescribed by the Exchange, if required;
- (2) pass a written examination prescribed by the Exchange testing the member's knowledge of the Rules and procedures of the Exchange and such other subjects as the Exchange deems appropriate, if required;
- (3) spend such minimum amount of time on the Floor as the Exchange may prescribe, observing the manner in which trading is conducted;
- (4) register as a floor broker with the Commission, if intending to act as a floor broker, or as a floor trader if intending to act as a floor trader; and
- (5) comply with whatever additional requirements the Exchange may from time to time impose.

(b) Upon satisfying the foregoing requirements, the member shall be granted permission to act on the Floor.

(c) **Registration.** No member in or surrounding any pit, ring, post or other place provided by the Exchange for the meeting of persons similarly engaged shall purchase or sell any commodity for future delivery, or any commodity option, on or subject to the rules of the Exchange: (1) for such person's own account, unless such person is registered or has been granted a temporary license as a floor trader, or has been granted a temporary license as a floor broker to act as a floor trader; and (2) for any other person, unless such person is registered as a floor broker.

(d) **Suspension.** If the registration of any person required to be registered under paragraph (c) above is suspended, such person shall not engage in the purchase or sale of any commodity for future delivery, or any commodity option, on or subject to the rules of the Exchange, nor shall such person represent himself as a floor broker or floor

trader or an agent of a registered floor broker or floor trader during the time such person is suspended.

(e) **Withdrawal from Registration.** Any floor broker or floor trader may request that such person's registration be withdrawn pursuant to Section 3.33 of the Act by filing the appropriate form with the National Futures Association in accordance with the instructions thereto. A copy of such form must be provided to the Exchange.

(f) **Review of Registration Information.** Every floor broker and floor trader must review and, if applicable, update, such person's registration information in accordance with Section 3.11(d) of the Act.

(g) **Ethics Training Requirement.** Certain persons registered with the National Futures Association, including floor brokers and floor traders, are required by Section 3.34 of the Act to attend ethics training intended to ensure an understanding of such person's responsibilities to the public under the Act.

(i) **New Registrants.** The initial session shall be four hours in duration and shall be completed within six months after the effective date of such person's registration.

(ii) **Continuing Ethics Requirement.** All registrants shall be required to attend and complete a one hour ethics training session every three years.

(iii) **Evidence of Training.** The Exchange shall maintain evidence of compliance with these requirements for all floor brokers and floor traders granted trading privileges by the Exchange.

(h) Every member granted permission to act on the Floor must continue to satisfy subparagraphs (a)(4) and (a)(5) as well as paragraphs (c) - (g) of this Rule.

(i) The Exchange, in its discretion, may waive any requirement of this Rule except the requirement of subparagraph (a)(4) and paragraphs (c) - (g) above.

Amendments

May 7, 1993

¶ 6406

Commodity Interests Dealt In

Rule 306. No member or member organization shall bid for, offer for sale, purchase or sell on the Exchange any commodity interest unless the Exchange has been designated as a contract market for such commodity interest and such commodity interest is currently trading on the Exchange.

¶ 6407

Bids and Offers

Rule 307. Bids and offers to be effective must be made by public outcry at the post assigned to such commodity interest by the Exchange. All bids and offers made on the Floor shall be deemed to be for one option or futures contract unless a specific number of contracts is expressed in the bid or offer. A bid or offer for more than one contract shall be deemed to be for the amount thereof or a smaller number of contracts. All bids and offers shall be general ones and shall not be specified for acceptance by particular members.

¶ 6408

Acceptance of Bid or Offer

Rule 308. All bids or offers for commodity interests dealt in on the Exchange made and accepted in accordance with these Rules shall constitute binding contracts between the parties thereto but shall be subject to the exercise by the Board of Directors of the powers in respect thereto vested in said Board by the By-Laws and to the Rules of the Exchange and said contracts shall also be subject to the Rules of the Clearing Corporation and to the exercise by the Clearing Corporation of the powers reserved to it in its By-Laws and Rules.

¶ 6409

Types of Orders

Rule 309. In the placement or execution of orders for the purchase or sale of commodity interests, the following terms shall have the meanings specified below:

(a) Market order. A market order is an order to buy or sell immediately a stated amount of a commodity interest at the most advantageous price obtainable at the time the order is represented in the trading crowd.

(b) Limit order. A limit order is an order to buy or sell a stated amount of a commodity interest at a specified price, or at a better price, if obtainable after the order is represented in the trading crowd.

(c) Stop order. A stop order is an order which becomes a market order when a transaction occurs at, or if a buy order above, or if a sell order below, the specified stop price after the order is represented in the trading crowd. A stop order to sell is placed at a price below the existing market. A stop order to buy is placed at a price above the existing market.

(d) Stop limit order. A stop limit order is an order which becomes a limit order when a transaction occurs at, or if a buy order above, or if a sell order below, the specified stop price after the order is represented in the trading crowd. A stop limit order to sell is placed at a price below the existing market. A stop limit order to buy is placed at a price above the existing market.

(e) Market if touched order. A market if touched order is an order which becomes a market order when a transaction occurs at, or if a buy order below, or if a sell order above, the specified touch price after the order is represented in the trading crowd. A market if touched sell order is placed at a price above the existing market. A market if touched buy order is placed at a price below the existing market.

(f) Limit if touched order. A limit if touched order is an order which becomes a limit order when a transaction occurs at, or if a buy order below, or if a sell order above, the specified touch price after the order is represented in the trading crowd. A limit if touched sell order is placed at a price above the existing market. A limit if touched buy order is placed at a price below the existing market.

(g) At the close order. An at the close order is a market order which is to be executed at or as near to the close as practicable. The acceptance of an at the close order by a floor member does not make him responsible for an execution at the closing price.

(h) At the opening order. An at the opening or at the opening only order is a market or limit order which is to be executed on the opening rotation of a commodity interest or not at all, and any such order or the portion thereof not so executed is to be treated as cancelled.

(i) Day order. A day order is an order which, if not executed, expires at the end of the trading day for which it was entered. Unless otherwise specified, an order for the purchase or sale of a commodity interest shall be deemed to be a day order.

(j) Good 'till cancelled order or open order. A good 'till cancelled ("G.T.C.") order or open order is an order to buy or sell which remains in effect until it is either executed or cancelled.

(k) All or none order. An all or none order is a market order which is to be executed in whole as soon as such order is transmitted to the Floor or a limit order which is to be executed in whole as soon as a specified price is reached.

(l) Immediate or cancel order. An immediate or cancel order is a market or limit order which is to be executed as soon as such order is transmitted to the Floor. Any part of such order which is executed is to be so reported immediately and any portion remaining unfilled is to be treated as cancelled.

[The next page is 6059-3.]

(m) Not held order. A not held order is an order in which a floor member is to use his discretion as to price and/or time in the execution of such order.

(n) Discretionary order. A discretionary order is an order in which a floor member is to use his discretion solely as to price in the execution of such order.

(o) Order good until a specified time. An order good until a specified time is a market or limit order which is to be represented on the Floor until a specified time, after which such order or the portion thereof not executed is to be treated as cancelled.

(p) Scale order. A scale order is an order to buy (or sell) a commodity interest which specifies the total amount to be bought (or sold) and the amount to be bought (or sold) at specified price variations.

(q) Spread order. A spread order is an order to buy a stated number of futures or option contracts and to sell the same number of futures or option contracts in a different delivery month in the case of futures contracts or different series in the same class in the case of option contracts.

(r) Straddle order. A straddle order is an order to buy a stated number of call option contracts and the same number of put option contracts with respect to the same series of option contract; or an order to sell a stated number of call option contracts and the same number of put option contracts with respect to the same series of option contract.

(s) Combination order. A combination order is an order to buy a stated number of call option contracts and the same number of put option contracts with respect to the same underlying commodity or futures contract, which contracts do not have both the same exercise price and expiration date, or an order to sell a stated number of call option contracts and the same number of put option contracts with respect to the same underlying commodity or futures contract, which contracts do not have both the same exercise price and expiration date.

(t) Time order. A time order is an order which becomes a market or limit order at a specified time, or is good through a specified period of time.

¶ 6410

Bids and Offers Outside Best Bid and Offer

Rule 310. Except with respect to the opening of a commodity interest conducted by a Board Broker in accordance with the procedures specified in Commentary .04 to Rule 316, when a bid is clearly established, no bid or offer at a lower price shall be made and when an offer is clearly established, no offer or bid at a higher price shall be made.

¶ 6411

Precedence of Highest Bid

Rule 311. The highest bid shall have precedence in all cases, but where two or more bids are made at the same price, priority and precedence shall be determined in accordance with the following rules:

(a) If it is possible to determine clearly the order of time in which bids were made, such bids shall be filled in that order, provided that a bid which represents the order of a registered commodities trader initiated on the Floor pursuant to the provisions of Rule 341 and does not constitute a transaction to reduce or liquidate a position shall in all cases yield priority to bids represented by orders initiated off the Floor. While members and member organizations may leave orders with a Board Broker, such orders shall not as a result thereof gain priority.

(b) When two or more bids are made simultaneously, all such bids shall be on parity, provided that, if the Board Broker and members holding orders in the trading crowd are bidding on parity, the Board Broker shall be entitled to 50% of any execution and the members in the trading crowd shall share the remaining 50% equally.

(c) A sale at the established bid price shall remove all bids from the trading crowd except that, if the number of contracts offered exceeds the number of contracts specified in the bid having priority or precedence, a sale of the unfilled balance to other bidders shall be governed by the provisions of these Rules as though no sales had been made to the bidders having priority or precedence.

(d) Notwithstanding anything in these Rules to the contrary, a spread order, a straddle order or a combination order may be executed at a differential pursuant to the provisions of Rule 330 without giving priority to bids or offers of members established in the marketplace.

(e) The provisions of this Rule and of Rule 312 shall not be applicable to the opening of a commodity interest conducted by a Board Broker in accordance with the procedures specified in Commentary .04 to Rule 316.

¶ 6412

Precedence of Offers at Same Price

Rule 312. The lowest offer shall have precedence in all cases, but where two or more offers are made at the same price, the priority and precedence shall be determined in the same manner as specified in the case of bids in Rule 311.

¶ 6413

Disputes

Rule 313. Disputes arising with respect to bids or offers, if not settled by agreement between the members interested, shall be settled, if practicable, by decision of a Floor Official knowing of the transaction in question; if not so settled, by the Exchange.

¶ 6414**Priority and Parity at Openings**

Rule 314. (a) At an opening, all market orders (whether entrusted to or left with the Board Broker or represented by a floor member in the trading crowd) shall have precedence over limit orders and shall be executed at one price.

(b) In connection with an opening, a limit order to buy which is at a higher price than the price at which the commodity interest is to be opened and a limit order to sell which is at a lower price than the price at which the commodity interest is to be opened, are to be treated as market orders.

(c) The above provisions of this Rule shall also apply to a reopening after a halt in trading.

¶ 6415**Transactions Outside Book's Last Quoted Range**

Rule 315. If a transaction or the cancellation of an order causes the established bid or the established offer of a Board Broker to be removed from the market, no floor member may participate in any transaction at a price below such bid or above such offer without first confirming that the Board Broker does not have a bid or offer which has priority.

¶ 6416**Trading Rotations, Halts and Suspensions**

Rule 316. (a) There shall be a trading rotation at the opening each business day for each commodity interest that is trading on the Exchange. There shall also be a trading rotation upon the resumption of trading in any commodity interest following any halt or suspension of trading therein.

(b) Trading on the Exchange in any commodity interest may be halted or suspended whenever the Exchange deems such action appropriate to protect the integrity, liquidity or orderly liquidation of such commodity interest. Trading in a commodity interest that has been the subject of a halt or suspension may be resumed upon a determination by the Exchange that the conditions which led to the halt or suspension are no longer present.

(c) The Exchange shall have the authority to delay openings in a particular delivery month or a series of a commodity interest or to halt, and reopen after a halt, trading in a particular delivery month or series of a commodity interest or to initiate a trading rotation in a particular commodity interest, whenever such action is deemed necessary to protect the integrity, liquidity or orderly liquidation of such commodity interest.

● ● ● **Commentary:**

.01 Trading rotations shall be conducted by the Board Broker assigned to the particular commodity interest. A trading rotation is a series of very brief time periods during each of which bids, offers and transactions in only a single, specified contract or in a single, specified series of option or delivery month of a futures contract can be made. Taking each commodity interest in which he is acting in turn, the Board Broker should generally first open the series of option or delivery month of a futures contract having the nearest expiration date or delivery month, respectively, then proceed to the series of option or the futures contract having the next most distant expiration date or delivery month, respectively, and so forth, until all series of such class of options or all delivery months of such futures contract have been opened. After all series of options expiring in the same month have been opened or after the opening of any futures contract, all such series of options or such futures contract, as the case may be, shall be freely tradable. Except as otherwise provided by the Exchange, in the case of options, if both puts and calls covering the same underlying commodity are being traded, the Board Broker shall determine which type of option should open first and may

● ● ● *Commentary:*

alternate the opening of put series and call series or may open all series of one type before opening any series of the other type, depending on current market conditions. Trading rotations may be conducted in another manner in accordance with procedures announced by the Board Broker after receiving approval from a Floor Official.

.02 In conducting a trading rotation pursuant to this Rule, the Board Broker shall announce to the trading crowd prior to the commencement of the rotation any material imbalances in any series of option or any delivery month of a futures contract to be opened.

.03 Except as otherwise provided with respect to registered commodities traders, orders may be entered, modified or cancelled in a particular series of options or a futures contract of a particular delivery month until the commencement of a trading rotation in such series or delivery month.

.04 The following procedures shall be applicable to the opening of any series of option or any delivery month of a futures contract:

(a) The Board Broker shall, by announcing price indications, seek bids and offers from the trading crowd to enable the execution of all market orders at a single price. In announcing such price indications, the Board Broker shall in all instances announce both an indicated bid and an indicated offer together with the number of contracts to buy and the number of contracts to sell represented by market orders to be executed at the opening. He shall seek the highest level of bids, if the number of contracts represented by market orders to sell exceeds the number of contracts represented by market orders to buy, or the lowest level of offers, if the number of contracts represented by market orders to buy exceeds the number of contracts represented by market orders to sell, at which the imbalance of market orders may be executed, taking into account limit orders on the book and any buying or selling interest which is made known to him in the trading crowd as a result of giving out such price indications. If necessary, the Board Broker shall give out additional price indications until the highest bid and lowest offer in the market differ by not more than the minimum price interval permitted in such commodity interest, and he is able to effect an opening by executing all market orders at one price. In executing the market orders at the opening, the Board Broker shall open on the bid side of the market if, at the time of the final indication, the number of contracts represented by market orders to sell exceeds the number of contracts represented by market orders to buy, and on the offer side of the market if the number of contracts represented by market orders to buy exceeds the number of contracts represented by market orders to sell.

Pursuant to Rule 314(b), limit orders to buy on the Board Broker's book, or held by floor members in the trading crowd (provided the Board Broker has been notified thereof), which are at prices above the opening price, and limit orders to sell which are at prices below the opening price, shall be treated as market orders and must be executed at the opening price. Any such orders having limits equal to the opening price shall be included in the opening to the extent possible without upsetting the balance of market orders to buy and sell; provided, however, that the Board Broker shall not open a commodity interest (i) at a price which will result in unexecuted limit orders to buy at the same price unless he shall first have given out a bid indication at the minimum price interval permitted in such commodity interest above such proposed opening price (and determined that the announcement of such

● ● ● *Commentary:*

indication has not had the effect of lessening the imbalance of market orders), or (ii) at a price which will result in unexecuted limit orders to sell at the same price unless he shall first have given out an offer indication at the minimum price interval below such proposed opening price (and determined that the announcement of such indication has not had the effect of lessening the imbalance of market orders). In the event that orders with limit prices equal to the opening price are to be included in the opening and are held both by the Board Broker and members in the trading crowd, all such orders shall be on parity and, to the extent executed at the opening, the Board Broker shall be entitled to 50% of such execution and the members in the trading crowd shall share the remaining 50% equally.

(b) A floor member holding a market order to be executed at the opening must so notify the Board Broker prior to the time the Board Broker gives out his first price indication. Failure to do so will relieve the Board Broker of any responsibility to execute such order at the opening. All bids and offers in the trading crowd during pre-opening indications (as well as any other time during the trading session) must be for a specific number of contracts and at a specific price. Except as provided below with respect to registered commodities traders, orders may be entered, modified or cancelled in a particular series of option or delivery month of futures contract until the Board Broker announces his final price indication (a bid and asked quote with a spread at the minimum price interval permitted) for the option series or delivery month of the futures contract. Any market order received by a floor member subsequent to the initial price indication and not given to the Board Broker prior to the final price indication will not be included in the opening.

(c) Subject to the provisions of Rules 341 and 342, registered commodities traders may participate in the opening of a commodity interest in accordance with the following terms and conditions:

(1) A registered commodities trader may leave market or limit orders with the Board Broker prior to the commencement of a trading rotation in a particular commodity interest. After the Board Broker has announced an opening price indication in a particular series or a particular delivery month for a commodity interest, a registered commodities trader may not leave with the Board Broker any market or limit orders in any series or delivery month in the same commodity interest or modify any orders previously left with the Board Broker, until the commencement of free trading in all series or all delivery months in such commodity interest. This shall not prohibit the cancellation or withdrawal by registered commodities traders of orders previously left with the Board Broker.

(2) Market orders of registered commodities traders left with the Board Broker prior to the opening shall have priority over bids and offers of registered commodities traders announced in the trading crowd during the opening rotation.

¶ 6417**Successive Transactions by Members**

Rule 317. No member or member organization shall effect or cause to be effected the purchase of any commodity interest at successively higher prices or the sale of any commodity interest at successively lower prices for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such commodity interest, or for the purpose of unduly or improperly influencing the market price of such commodity interest, or for the purpose of making a price which does not reflect the true state of the market in such commodity interest.

¶ 6418**Prearranged Trades Prohibited**

Rule 318. No member or member organization shall make any purchase or sale of a commodity interest which has been directly or indirectly prearranged.

¶ 6419**Disclosure of Customer's Orders**

Rule 319. No floor member shall disclose at any time that he is holding an order of another person or divulge any order revealed to him by reason of his relationship to such other person, except in connection with the giving of an order to another member for execution or at the request of the Exchange.

¶ 6420**Priority of a Member's Customer Orders**

Rule 320. (a) Except as otherwise provided herein, no floor member shall allocate trades among accounts.

(b) Each floor member shall give priority to public customer market orders over all other types of orders. Priority among such market orders shall be established in accordance with the times such market orders are received by the floor member. Priority among public customer limit orders shall be established by price, and, in the event a floor member is holding limit orders at the same price, in accordance with the times such limit orders were received by the floor member. The sequence of time stamping of orders when received on the Floor shall be prima facie evidence of the sequence in which such orders were received by a floor member.

(c) For the purposes of this Rule, the term "public customer" shall not include a member or member organization of the Exchange, or a non-member futures commission merchant or introducing broker.

¶ 6421**Withholding Orders**

Rule 321. No floor member shall withhold or withdraw from the market any order or part of an order of another person for the convenience of another member or member organization.

¶ 6422**Price Binding Even if Erroneous Report**

Rule 322. The price at which an order is executed shall be binding notwithstanding the fact that an erroneous report of execution in respect thereto may have been rendered. A report of execution shall not be binding if a transaction was not actually executed, and a transaction which was executed shall be binding regardless of whether reported.

¶ 6423**Transfer of Positions**

Rule 323. (a) No commodity interest shall be transferred from one account on the books of a member or member organization to another account on the books of the same or any other member or member organization if any change in ownership would result there from, unless the transfer is made:

(1) to correct an error in the original posting of the contract;

(2) to consummate an exchange of futures contracts for physical (spot) transaction between two parties pursuant to Exchange Rule 361 or

(3) to reflect a change of ownership occurring by operation of law on the death or bankruptcy of a person having an ownership interest in such commodity interest.

(b) In the case of any transfer referred to in subparagraph (a)(1) and (2) of this Rule, written notice of the transfer shall be given to the Exchange by the parties of the transactor in such form and containing such information as the Exchange may prescribe.

Amendment.

October 27, 1988.

¶ 6424

Recording of Member Executions

Rule 324. Every floor member who executes purchases or sales of any commodity interest (including straddles, spreads and combinations executed at a differential) for an account in which he has an interest shall promptly prepare for each such transaction a written record showing the executing member, his clearing member, transaction date, time of execution, commodity interest and the number of contracts purchased or sold and, as applicable, price or premium, delivery month or expiration date, put or call, strike price and such additional information as the Exchange may from time to time require to be included thereon.

¶ 6425

Recording of Customer and Other Member Orders and Executions

Rule 325. (a) Every order for the purchase or sale of a commodity interest which is not in the form of a written record must, immediately upon receipt thereof, be recorded in writing by the member receiving such order in accordance with the requirements of Commission Regulation 1.35(a-1) except:

(1) orders executed by registered commodities traders for accounts in which they have an interest which shall be recorded pursuant to Rule 324 and

(2) orders for the account of another member present on the Floor at the time the order is received which shall be recorded pursuant to paragraph (c) of this Rule.

(b) All records of such orders required to be in writing under paragraph (a) of this Rule shall include:

(1) the account identification and order number, if any;

(2) the commodity interest, number of contracts, delivery month or expiration date and, as applicable, put or call and strike price;

(3) the date and time stamp to the nearest minute when:

(i) received on the Floor by a floor member or employee thereof;

(ii) received by the floor broker; and

(iii) a floor member or employee thereof reports the execution of the order from the Floor.

(c) Every floor member who places an order for the purchase or sale of a commodity interest (including spreads, straddles, and combinations executed at a differential) with another floor member on the Floor must prepare and deliver to such other member prior to the representation of such order in the trading crowd a written record of such order containing the commodity interest, number of contracts, delivery month or expiration date and, as applicable, put or call and strike price at the time he places the order with such other member.

Amendments.

November 20, 1995

¶ 6426**Reporting of Executions**

Rule 326. (a) It shall be the responsibility of the selling floor member in each transaction involving a commodity interest to record the time of execution to the nearest minute and, as applicable, price or premium, and to give a clerk of the Board Broker appointed in such commodity interest promptly following the execution of such transaction a copy of each report of the trade prepared by each party to such trade pursuant to Rule 324 or Rule 325, except that in a multiple party transaction such responsibility shall be that of the floor member purchasing or selling the largest number of contracts in the transaction.

(b) If any member discovers that a properly executed transaction in which he participated has not been reported or has been erroneously reported by the Exchange, he shall promptly notify the Exchange and the other party or parties to the transaction of that fact and with the approval of an authorized representative of the Exchange shall take the necessary steps, in accordance with Exchange procedures, to cause a change or correction in any transaction which has been erroneously reported or to report a transaction which was not reported when it should have been. Any transaction which is not reported in proper sequence and any changes or corrections of previously reported transactions shall include such symbol or other designation as may be required by the Exchange.

¶ 6427**Simultaneous Execution of Buy and Sell Orders**

Rule 327. (a) When a member has an order to buy and an order to sell the same commodity interest, he must offer above a bid price which he has established or bid below an offered price which he has established at prices differing by the minimum fraction until such bid and offer differ by the minimum fraction, and if neither such bid nor offer is accepted he may execute a transaction between the customers whose orders he holds. Such bids and offers must be by open outcry at the post designated for the trading of such commodity interest. The executing floor member shall execute such orders in the presence of the Board Broker appointed in the commodity interest and at least one registered commodities trader and, by appropriate descriptive words or symbol, clearly identify such transaction on the written record made at the time of execution, noting thereon the exact time of execution, and shall promptly submit the matched transactions to such Board Broker for verification and initialing.

(b) No member or member organization shall knowingly take, directly or indirectly, the other side of a customer's order unless the customer's prior written consent has been obtained and the order is executed in conformity with the requirements of paragraph (a) of this Rule.

(c) For the purposes of this Rule, the Board Broker appointed in the commodity interest shall be deemed to be "an official representative" of the Exchange within the meaning of Commission Regulation 1.39(a)(2).

¶ 6428**Discretionary Transactions to be Executed by Another Member**

Rule 328. No member acting as a floor broker shall execute any transaction for any account of another person for which buying and/or selling orders can be placed or originated, or for which transactions can be executed, by such member without the prior specific consent of the account owner, regardless of whether the general authorization for such orders or transactions is pursuant to a written agreement, except that orders for such an account may be placed with another floor member for execution and that the provisions of this Rule shall not apply to any order for which the floor member has discretion only as to time and/or price.

¶ 6429 Responsibility of Floor Member for Mishandling Orders

Rule 329. (a) If a floor member has failed to effect execution of an order, the floor member shall not be held responsible for such failure if he exercised due diligence in his efforts to effect execution.

(b) If a floor member by reason of a lack of due diligence has failed to execute an order, he shall, upon discovery of such failure, and unless instructions to the contrary have been received from the customer, execute such order at the best obtainable price. If such price is more advantageous than the price the floor member could have reasonably obtained had he executed the order at the time he should have, the customer shall receive the execution; if not, the customer shall receive such monetary adjustment as will afford the customer the equivalent of the price at which such order should have been executed. Full details of all transactions consummated hereunder shall be reported in writing to the Exchange.

(c) A claim that a floor member has failed to execute an order shall be made promptly after the party giving the order becomes aware of such failure, and in any event such claim shall be waived if not made prior to the opening on the following business day; provided that no such claim shall be waived if the floor member became aware of the failure to execute prior to the opening of trading on the following business day and failed to report the same to such party; and provided further that no such waiver shall excuse a member or member organization which has placed an order with a floor member on behalf of a customer from liability to such customer for any error or mishandling of the customer order.

¶ 6430 Execution of Spread, Straddle and Combination Orders

Rule 330. When a floor member holding a spread order, a straddle order, or a combination order and bidding or offering on the basis of a total credit or debit for the order has determined that the order may not be executed by a combination of transactions with or within the bids and offers established in the marketplace, then the order may be executed as a spread, straddle, or combination at the total credit or debit with one other floor member without giving priority to either bids or offers established in the marketplace that are not better than the bids or offers comprising such total credit or debit, provided that, in executing a spread, straddle or combination order, the member executes one leg of the order at a price better than the established bid or offer for the option contract, as appropriate, and executes the other leg of the order at the established bid or offer for the option contract, as appropriate.

(b) A PBOT Member/PHLX FCO Participant wishing to initiate a foreign currency options - futures "multi-part order" may do so by following the steps given below.

(i) the initiator shall ascertain from the PBOT Member/PHLX FCO Participants in the crowd the best price at which a specific amount of the respective options could be bought (or sold) concomitantly with a sale or purchase of a stated amount of futures with the future at a given price.

(ii) the initiator may then execute the order against the best market established by (i) above, provided that the option price is in between the individual option quote and the futures price is in between the individual futures quote.

If the initiating Participant also has an opposing match to the multi-part order, the Participant must follow steps (i) and (ii) above and must allow a reasonable amount of time for those present in the trading crowd including the Board Broker to accept the terms to the multi-part order before crossing such order.

Adopted.

July 10, 1990.

¶ 6431

Definition of Board Broker

Rule 331. A Board Broker is a member of the Exchange who is registered with the Exchange for the purposes of (a) maintaining the book with respect to orders left with him for execution in the commodity interests assigned to him; (b) effecting proper executions of such orders; (c) displaying bids and offers pursuant to Rule 335; (d) providing quotations for dissemination over the market information network provided by the Exchange; and (e) monitoring the market for the commodity interests assigned to him and maintaining orderliness in the trading crowd, provided that any member who is doing business with the public in accordance with these Rules shall be ineligible to become registered as a Board Broker. A temporary Board Broker acting as a Board Broker shall be treated as a Board Broker for all purposes of the Rules.

¶ 6432

Registration of Board Brokers

Rule 332. An applicant for registration as a Board Broker shall file his application in writing with the Exchange on such form or forms as the Exchange may prescribe. The Exchange shall review such application and shall consider an applicant's ability as demonstrated by his passing a Board Broker's examination prescribed by the Exchange, and such other factors as the Exchange deems appropriate.

After reviewing the application, the Exchange shall either approve or disapprove the applicant's registration as a Board Broker. The registration of any person as a Board Broker may be suspended or terminated by the Exchange upon a determination that such person has failed to perform properly as a Board Broker.

¶ 6433

Appointment, Termination and Suspension of Board Brokers

Rule 333. (a) On a form or forms prescribed by the Exchange, a registered Board Broker may indicate a preference to be appointed to act as such in one or more commodity interests. The Exchange may appoint one or more Board Brokers to act as such in each commodity interest that is approved for trading on the Exchange from among those registered as Board Brokers. The Exchange shall notify the membership of the Exchange of the appointment of a Board Broker to act as such in a commodity interest.

(b) The appointment of a Board Broker may be suspended or terminated by the Exchange at any time if any of the following occur:

(1) The Exchange summarily suspends the registration of the Board Broker pursuant to Rule 332.

(2) The Exchange determines that the Board Broker is in such operating difficulty that the Board Broker cannot be permitted to continue to do business as a Board Broker with safety to traders, creditors, other members or the Exchange.

(3) The Exchange determines that the suspension or termination of the Board Broker's appointment would be in the public interest or protect the integrity of the market, or the liquidity or orderly liquidation of any commodity interest.

(4) The Board Broker or the member organization with which he is associated is suspended or expelled from the Exchange.

(c) A member or applicant for membership adversely affected by a determination made under subparagraph (a) or (b) of this Rule may obtain review thereof by filing a petition therefor with the Board of Directors.

¶ 6434**Obligations of Board Broker for Orders**

Rule 334. (a) A Board Broker shall ordinarily be expected to accept orders for all commodity interests to which his appointment extends. Such orders shall include only market orders and limit orders. A Board Broker shall not accept orders of any other type or from any source other than a member. The Exchange may specify the manner in which orders are to be routed to the Board Broker for entry into the book. All orders accepted by a Board Broker shall be time stamped by the Board Broker at the time of his receipt.

(b) Each Board Broker or temporary Board Broker designated in accordance with Rule 337 must be at the post or assigned location on the Floor on each business day by such time and shall remain on the Floor until such time as the Exchange may direct.

(c) A Board Broker shall use due diligence to execute the orders placed in his custody at the best prices available under the Rules of the Exchange.

(d)(1) If a Board Broker holds orders to buy and sell the same commodity interest, and if the highest bid and lowest offer held by the Board Broker in that interest differ by more than the minimum fraction, he may cross such orders in the presence of at least one registered commodities trader and an Exchange employee from the Market Surveillance Department, provided he proceeds in the following manner:

(i) A Board Broker shall request bids and offers for such commodity interest and make all persons in the trading crowd aware of his request;

(ii) After providing an opportunity for such bids and offers to be made, he must bid above the highest bid or offer below the lowest offer at prices differing by the minimum fraction until such bid and offer differ by the minimum fraction;

(iii) If neither his bid nor his offer is taken, he may cross the orders at such higher bid or lower offer if possible, or at a price determined by the limit order to be crossed, by announcing by public outcry that he is crossing and giving the quantity and price; and

(iv) By appropriate descriptive words or symbol, the Board Broker clearly identifies such transaction on the written record made at the time of execution, noting thereon the exact time of execution and promptly submits such record to such Exchange employee from the Market Surveillance Department for verification and initialing.

(2) If a Board Broker holds orders to buy and sell the same commodity interest, and if the highest bid and lowest offer held by the Board Broker in that commodity interest differ by the minimum fraction, he shall request bids and offers for such commodity interest and make all persons in the trading crowd aware of his request and after providing an opportunity for such bids and offers to be made, he may cross such orders in the presence of at least one registered commodities trader and an Exchange employee from the Market Surveillance Department, by announcing by public outcry that he is crossing and giving the quantity and the price and, by appropriate descriptive words or symbol, clearly identifying such transaction on the written record made at the time of execution, noting thereon the exact time of execution and promptly submitting such record to such Exchange employee from the Market Surveillance Department for verification and initialing.

(e) Notwithstanding anything to the contrary in paragraph (d) of this Rule, during the opening rotation for a commodity interest, in the interests of achieving a single price opening, a Board Broker may proceed as follows:

(1) The Board Broker may match all market orders in his possession;

(2) He shall then announce by public outcry the number of contracts he has matched and will cross at the opening price to be established;

(3) He may then continue to bid or offer the remaining unmatched and unexecuted orders he has in his possession for execution during opening rotation.

(f) For the purposes of this Rule, such Exchange employee from the Market Surveillance Department shall be deemed to be an "official representative" of the Exchange within the meaning of Commission Regulation 1.39(a)(2).

● ● ● **Commentary:**

.01 A Board Broker shall not accept spread orders, straddle orders, or combination orders. Unless a Floor Official otherwise authorizes, a Board Broker shall not accept stop orders and stop limit orders.

.02 A Board Broker shall accept G.T.C. or open orders and day orders; but shall not accept any other types of time orders, such as "week" or "month" orders, or orders good until a specified time. Hence, all orders in commodity interests must be entered with a Board Broker only as G.T.C. or open orders or as day orders. Since a Board Broker is not permitted to accept an order good until a specified time, a member or member organization receiving such an order and electing to enter it with a Board Broker shall enter the order with the Board Broker as a G.T.C. order, and such member or member organization shall be responsible for cancelling the G.T.C. order at the specified time.

.03 All G.T.C. orders on a Board Broker's book shall be cancelled on such periodic dates as may be prescribed by the Exchange, unless properly confirmed or renewed as prescribed by the Exchange. G.T.C. orders that are so confirmed or renewed in the manner of their original entry, except as to partial execution or reduction in size, are entitled to retain their original order or precedence on the Board Broker's book, and he is responsible for their proper entry. G.T.C. orders that are not so confirmed or renewed, but are re-entered later, are not entitled to retain their original order of precedence; they are to be treated by the Board Broker as newly entered orders and are to be entered in the order of their receipt.

.04 A Board Broker shall accept orders, including cancellations and changes, at the opening on the same time sequence basis as pertains during the balance of the day. However, a Board Broker shall not be held for orders accepted during a time interval from five (5) minutes prior to commencement of the opening rotation in a particular commodity interest through the end of such rotation for execution of such orders at the opening.

.05 The market orders and limit orders in the custody of a Board Broker shall constitute his book. For the purposes of this Rule, the term "custody" shall mean that the order is time stamped by the Board Broker evidencing his receipt.

¶ 6434A

Low Liquidity Markets

Rule 334A. Notwithstanding any other inconsistent Exchange Rule, in the event that any futures contract shall have had an average daily volume of 1000 or fewer contracts per day during the previous calendar quarter, the following shall apply to such contract:

(a) The Board Broker may, notwithstanding any other inconsistent Exchange Rule, receive and execute orders from members, including executing orders of members against one another as well as, when there are no orders on the book or competing bids and offers in the trading crowd, against the Board Broker's own or proprietary accounts.

(b) The provision of Rule 331(e), stating that any member who is doing business with the public in accordance with these Rules shall be ineligible to become registered as a Board Broker, shall not apply.

(c) The Board Broker in such contracts shall not be required to pass an examination prescribed by the Exchange pursuant to Exchange Rule 332. The appointment of the Board Broker need not be conditional upon the Board Broker's designation of a temporary board broker pursuant to Rule 337, Temporary Board Brokers, Commentary .01.

Amendment.

November 17, 2003 (03-16)

¶ 6435 Announcing Bids and Offers on Book

Rule 335. A Board Broker shall announce by public outcry the highest bid and lowest offer on his book having priority (or on parity with bids or offers in the crowd), along with an indication of the number of contracts bid for at the highest bid and offered at the lowest offer, in each commodity interest for which he is acting as a Board Broker.

¶ 6436 Disclosure of Orders

Rule 336. Except for the bids and offers that he announces in accordance with Rule 335, no Board Broker shall, directly or indirectly, disclose to any person other than a designated official of the Exchange any information in regard to the orders entrusted to him.

● ● ● **Commentary:**

.01 It shall not be deemed a violation of this Rule for a Board Broker to give a floor member a reasonable indication of where his order stands in priority among the orders displayed pursuant to Rule 335.

¶ 6437 Temporary Board Brokers

Rule 337. A Board Broker may temporarily designate another Board Broker to take or share a book or books of such Board Broker. The designated Board Broker shall, while he is in possession of such book or books, stand in the same relationship to the book or books as the Board Broker who made the designation.

● ● ● **Commentary:**

.01 All appointments as Board Broker shall be conditional upon the Board Broker's designation of a temporary Board Broker who is a member associated with the same member organization as the Board Broker and who is acceptable to the Exchange.

¶ 6438 Board Broker's Employees

Rule 338. A Board Broker may, with the approval of the Exchange, employ one or more Assistant Board Brokers who are members associated with the same member organization as the Board Broker, and may regularly employ a clerk or clerks to assist him on the Floor of the Exchange. No such non-member employee may effect an Exchange transaction.

[The next page is 6071-3.]

¶ 6439 Liability of Exchange for Actions of Board Brokers

Rule 339. The Exchange shall not be liable to its members and member organizations and any successors or representatives thereof or any persons associated therewith or any customers thereof for any claim arising out of any error or omission of a Board Broker or a person associated with a Board Broker, a temporary Board Broker or assistant or clerk of any Board Broker and no assets of the Exchange shall be applied or shall be subject to any such liability.

¶ 6440 Execution Reports by Board Brokers

Rule 340. If a Board Broker shall fail to send an execution report with respect to an order which he executed or should have executed and the member or member organization giving the Board Broker such order shall have made a written request to the Board Broker for a report by 12:00 P.M. on the business day following the day on which such order was executed or should have been executed, the Board Broker shall be responsible for any loss which may be sustained until such time as he answers the request.

● ● ● Commentary:

.01 A report shall be deemed to have been sent by a Board Broker if he has available a CENTRAMART confirmation prepared by the Exchange.

.02 Members and member organizations expecting reports should make written requests for reports promptly; a duplicate copy of such request must be stamped and retained by the member or member organization as a record that the request has been made.

.03 In the event a report has not been sent by a Board Broker with respect to an order which he executed or should have executed and the member or member organization leaving such order with the Board Broker for execution makes a written request to the Board Broker for a report later than 12:00 P.M. on the business day following the day on which such order was executed or should have been executed, the Board Broker shall not be responsible for any loss sustained.

¶ 6441 Registered Commodities Trader

Rule 341. (a) No member shall initiate a transaction in a commodity interest, while on the Floor, for an account in which he or his member organization has an interest unless he is registered as a registered commodities trader ("RCT") with the Exchange and unless the Exchange has approved of his so acting as an RCT and such registration has not been suspended or such approval has not been withdrawn. An RCT may withdraw his registration upon approval of the Exchange, based upon a written request filed with the Exchange by the RCT at least five (5) business days prior to such proposed withdrawal.

(b) Any member seeking to act as an RCT shall satisfy the following requirements:

(1) Submit an application in a form prescribed by the Exchange, if required, and comply with the registration of requirements of Rule 305.

(2) Pass a written examination prescribed by the Exchange, if required.

(3) In addition to such financial requirements as the Exchange may prescribe for his other activities, comply with the financial requirements for RCTs set forth in Rule 202.

(c) If an RCT shall at any time fail to comply with the applicable financial requirements specified in Rule 202, his registration as an RCT shall be automatically suspended, and he shall immediately notify the Exchange in writing of his failure to comply. Such suspension shall continue until and unless his registration as an RCT has been reinstated by the Exchange.

Amendments.

May 7, 1993

¶ 6442 Restrictions on Registered Commodities Traders

Rule 342. (a) An RCT may not initiate on the Floor of the Exchange a transaction for an account in which he or his member organization has an interest and execute as broker an off-Floor order or an order received from another floor member in the same commodity interest during the same session.

(b) The foregoing provisions of this Rule and of Rule 341 shall not apply to any transaction to offset a transaction made in error.

(c) For the purposes of this Rule and Rule 341, the term "on the Floor" means the Trading Floor of the Exchange; the rooms, lobbies and other premises immediately adjacent thereto made available by the Exchange for use by members generally; other rooms, lobbies and premises made available by the Exchange primarily for use by members generally; and the telephone and other facilities in any such place.

(d) The provisions of this Rule and Rule 341 do not apply to transactions initiated by an RCT for an account in which he has an interest unless such transactions are either initiated by him while on the floor or unless such transactions, although (cont'd)

originated off the Floor, are deemed on-Floor transactions under the provisions of this Rule and Rule 341. An off-Floor order for an account in which a member has an interest is to be treated as an on-Floor order if it is executed by the member who initiated it. In addition to transactions originated on the Floor by an RCT for an account in which he has an interest, the following transactions are considered on-Floor trading for the purposes of this Rule and Rule 341 and subject to all the restrictions on RCTs:

(1) Any transaction for an account in which an RCT has an interest if such transaction is initiated off the Floor by such trader after he has been on the Floor during the same day.

(2) Any transaction for the account of a member organization with which the RCT is associated:

(i) which results from an order entered off the Floor following a conversation relating thereto with a member on the Floor who is associated with such member organization; or

(ii) which results from an order entered off the Floor following the unsolicited submission from the Floor to the office of a quotation in a commodity interest and the size of the market by a member on the Floor who is associated with such member organization; or

(iii) which results from an order entered off the Floor which is executed by a member on the Floor who is associated with such member organization and who had handled the order on a "not-held" basis; or

(iv) which results from an order entered off the Floor which is executed by a member on the Floor who is associated with such member organization and who has changed the terms of the order.

(e) An on-Floor order given by an RCT to another floor member, for an account in which the RCT or his member organization has an interest is subject to all the rules restricting RCTs.

● ● ● **Commentary:**

.01 All orders of an RCT acting in his capacity as such which are given to another floor member or a Board Broker for execution shall be clearly marked by the RCT in a manner prescribed by the Exchange (i) to indicate that such orders are for an account in which an RCT or his member organization has an interest, and (ii) to indicate that such orders are subject to the provisions of Rule 342.

.02 The executing floor member or Board Broker who is given a properly marked order by an RCT shall have the responsibility to ensure, to the extent practicable, that such order is executed in the appropriate manner.

.03 An Exchange member holding an order for an RCT may not be held to the market at a particular price if the execution of the order at that price would contravene Rule 342.

Rule 343. Reserved.

¶ 6444

Floor Broker

Rule 344. No member shall act as a floor broker on the Exchange unless, in addition to such financial requirements as the Exchange may prescribe for his other activities, he or, in the case of a member organization affiliated with a member that is registered as a floor broker, his member organization complies at all times with the financial requirements for floor brokers specified in Rule 202.

¶ 6445

Access to Floor by Customers

Rule 345. (a) No person other than a member or a member organization of the Exchange may place an order for a commodity interest with a floor broker, except that a customer of a clearing member may place an order for a commodity interest with a floor broker giving up the name of such clearing member, provided that the clearing member has authorized such floor broker in writing to accept orders from such customer giving up such clearing member's name, has furnished the floor broker with a copy of such written authorization and has filed or caused to be filed a copy of such authorization with the Exchange and such authorization has not been cancelled.

(b) Any authorization described in paragraph (a) of this Rule shall remain in effect until the Exchange receives written notice from the clearing member of its intent to cancel. Written notice of intent to cancel received by the Exchange at least one-half hour prior to the normal opening of trading shall become effective on the day of receipt; written notice of intent to cancel received by the Exchange less than one-half hour prior to the normal opening of trading shall not become effective until the opening of trading on the next business day following its receipt by the Exchange. A cancellation shall in no way relieve a clearing member of responsibility for transactions authorized prior to the effectiveness of the cancellation.

(c) For the purposes of this Rule, the term "customer" does not include a member or member organization of the Exchange or any person registered as a futures commission merchant or an introducing broker.

¶ 6446

Confirmation with Opposite Floor Member

Rule 346. Any floor member executing a trade on the Floor shall promptly confirm with the opposite floor member the price or premium, quantity, future or option and respective clearing member. Such confirmation shall be evidenced by a CENTRAMART confirmation prepared by the Exchange.

¶ 6447

General Comparison and Clearance Rule

Rule 347. Each transaction in a commodity interest shall be reported at the time of execution to the Exchange for comparison of trade information at the post assigned to such commodity interest by the Exchange and all compared transactions shall be cleared through the Clearing Corporation and shall be subject to the By-Laws and Rules of the Clearing Corporation.

¶ 6448

Responsibility of Clearing Members for Exchange Transactions

Rule 348. Every clearing member shall be responsible for the clearance of the Exchange transactions of such member organization and of each member or member organization who gives up the name of such clearing member in an Exchange transaction, provided that the clearing member has authorized such member or member organization to give up its name with respect to Exchange transactions.

¶ 6449

Filing of Trade Information

Rule 349. At the time of execution, each clearing member shall be responsible for supplying to the Exchange trade information in a form prescribed by the Exchange, covering each transaction effected on the Exchange during said business day for which such clearing member is responsible. The trade information shall show for each transaction (1) the identity of the purchasing clearing member and the selling clearing member given up at the time of execution, (2) the underlying commodity, (3) if an option contract, the exercise price and whether a put or call, (4) the expiration date or delivery month, (5) the number of contracts, (6) the price or premium, (7) whether a purchase or a sale transaction, (8) whether an opening or closing transaction, (9) the identity of the account of the clearing member in which the transaction was effected,

¶ 6445 **Rule 345**

and (10) such other information as may be required by the Exchange. Each clearing member shall be responsible to the Exchange in respect of all trade information filed with the Exchange on such form prescribed by the Exchange.

¶ 6450 Verification of Contracts and Reconciliation of Uncompared Trades

Rule 350. At the time of execution, a carbon copy trade contract will be printed and distributed by the Exchange to the respective purchasing and selling members. Promptly upon receipt of such contract, a clearing member shall be obligated to verify the information shown on the contract, to reconcile all uncompared trades and advisory trades shown on the uncompared trade contract and to report all reconciliations, corrections and adjustments to the Exchange in accordance with such procedures as may be established by the Exchange from time to time. Such reconciliation report shall be filed with the Exchange prior to such cut-off hour as the Exchange may prescribe and shall be binding on the clearing member on whose behalf it is filed. The Exchange will consider all trades as executed and compared as of such cut-off hour.

¶ 6451 Reporting of Compared Trades to Clearing Corporation

Rule 351. On each business day at or prior to such time as may be prescribed by the Clearing Corporation, the Exchange shall furnish the Clearing Corporation a report of each clearing member's compared trades based on the comparison service performed by the Exchange on that day. Only trades which have been compared in accordance with the provisions of Rule 347 shall be furnished by the Exchange to the Clearing Corporation and the Exchange shall assume no responsibility with respect to any uncompared trade nor for any delays or errors in the reporting of trades for comparison.

¶ 6452 Maintaining Office and Filing Signatures

Rule 352. Every clearing member shall maintain an office at a location approved by the Exchange for the purpose of comparing Exchange transactions. Any such member organization may use for the purpose of these Rules the office of another clearing member, provided that such use is pursuant to a written agreement approved by the Exchange. There shall be present at such office, between such hours as the Exchange shall from time to time fix, on every business day a representative of the member organization authorized to sign in the name of the member organization all instruments and transact all business requisite in connection with the comparison of Exchange transactions. Each such member organization shall file with the Exchange, in such form as the Exchange shall prescribe, a certified list of signatures of its representatives who are authorized to sign instruments and transact all business necessary for conducting comparison of Exchange transactions.

¶ 6453 Option Contracts to be Traded on the Exchange

Rule 353. No member or member organization of the Exchange shall transfer, assign or otherwise dispose of any option contract other than in a transaction executed on or subject to the Rules of the Exchange.

Rule 354. Reserved.

¶ 6455 Liquidation of Option Positions

Rule 355. Whenever the Exchange shall determine that a person or group of persons acting in concert holds or controls, or is obligated in respect of, an aggregate position (whether long or short) in option contracts of a class of options dealt in on the Exchange in excess of the position limit established by the Exchange for such class of options, the Exchange may direct all members and member organizations carrying a position in option contracts of such class for such person or persons to liquidate all or a portion of such positions as expeditiously as possible consistent with the maintenance of an orderly market. Whenever such a directive is issued by the Exchange, no member or member organization receiving notice thereof shall accept any order to purchase, sell or

exercise any option contract for the account of the person or persons named in such directive, unless in each instance express approval therefor is given by the Exchange, or until such directive is rescinded. For the purpose of this Rule, positions in any option contract shall be aggregated pursuant to the aggregation standard set forth in Rule 1008(e).

¶ 6456 Regulation of Transactions in Deep-Out-of-the-Money Options

Rule 356. (a) The Exchange may, from time to time, require members and member organizations to submit reports relating to transactions in deep-out-of-the-money option contracts.

(b) The term "deep-out-of-the-money option contracts" shall mean, with respect to Eurodollar Time Deposit Option Contracts, any series of Eurodollar Time Deposit Option Contract that has an exercise price above (in the case of a call) or below (in the case of a put) the PBOT Eurodollar Reference Price as calculated by the Exchange pursuant to Rule 1007 at 3:00 P.M. on the preceding business day by an amount that equals or exceeds 1.50 points.

¶ 6457 Collection of Option Premiums

Rule 357. The Clearing Corporation shall obtain from each of its clearing members, each clearing member shall obtain from each person for whom it clears commodity option transactions, and each futures commission merchant shall obtain from each of its option customers at the time of settlement of an option transaction in which such person is a purchaser, the full amount of the option premium involved in such transaction.

Rule 358. Reserved.

¶ 6459 Reporting of Option Positions

Rule 359. (a) No member or member organization which is a futures commission merchant may carry an omnibus account for another futures commission merchant or foreign broker unless, with respect to each account for which a Eurodollar option contract is carried in the omnibus account, such other futures commission merchant or foreign broker reports to the member or member organization the information which the member or member organization must report to the Exchange sufficiently in time to enable such member or member organization to comply with the Exchange's reporting requirements.

(b) A member or member organization which is furnished information pursuant to paragraph (a) of this Rule shall report such information to the Exchange in accordance with the requirements of Rule 1013.

¶ 6460 Allocation of Option Exercise Notices

Rule 360. (a) Each member or member organization shall establish fixed procedures for the allocation of exercise notices assigned in respect of short option positions in the customers' accounts of such member or member organization. Such allocation shall be made on a "first-in, first-out" or automated random selection basis that has been approved by the Exchange or on a manual random selection basis that has been specified by the Exchange. Each member or member organization shall inform its customers in writing of the method it uses to allocate exercise notices to its customers' accounts, explaining its manner of operation and the consequences of that system.

(b) Each member or member organization shall report its proposed method of allocation to the Exchange and obtain the Exchange's prior approval thereof, and no member or member organization shall change its method of allocation unless the change has been reported to and approved by the Exchange. The requirements of this paragraph shall not be applicable to allocation procedures submitted to and approved

by another contract market having comparable standards pertaining to methods of allocation.

(c) Each member or member organization shall preserve for a five-year period sufficient workpapers and other documentary materials relating to the allocation of exercise assignment notices to establish the manner in which allocation of such notices is in fact being accomplished.

(d) Each member or member organization shall notify a customer of an exercise notice that has been assigned to it in respect of a short option position in the customer's account with the member or member organization.

¶ 6461 Exchange of Futures Contracts for Physical

Rule 361. Exchange of futures contracts for physical (EFPs) shall be permitted by arrangement between members in accordance with the following:

(1) EFPs must be conducted by and between two separate parties, wherein one party is the buyer of physical (spot) commodities and the seller of futures contracts and the other party is the seller of physical (spot) commodities and the buyer of the futures contracts.

(2) The seller of the physical (spot) commodities must have possession or the right to possession of the physical (spot) commodities and be able to transfer the same to the buyer in a reasonable period of time after the simultaneous purchase and sale of the futures contracts and sale and purchase of an equal quantity of physical (spot) commodities.

(3) EFPs may be consummated at any price as mutually agreed upon by the two parties to the transaction.

(4) No EFPs may be undertaken by members or their customers after the close of trading on the last trading day of any futures contracts.

(5) All EFPs consummated during trading sessions shall be reported to a floor official and a representative of the Market Surveillance department by the parties immediately upon the opening of the next trading session.

(6) All reports of EFPs shall be made in a form as prescribed by the Exchange. The memoranda of EFPs shall reflect the identity of the parties, representative floor brokers, clearing member organization, the time of the transaction, number of futures contracts involved, their designated symbols, the equivalent cash (spot) commodity's price of the transaction and such other pertinent documentation evidencing transfer of the cash (spot) commodities component of the transaction.

(7) EFPs are not permitted to be structured with cash-settled futures contracts.

Adopted.

October 27, 1988.

Amended.

October 31, (2003-14).

¶ 6462

Registration of Broker Associations

Rule 362. Pursuant to Commission Regulation 156.2, a member of a broker association may not receive or execute an order unless the broker association is registered with the Exchange within ten days of establishing the broker association relationship. Information must be updated and provided within ten days of any change.

Registration shall be on a form prescribed by the Exchange and shall include the following, if applicable: name; form of organization (e.g., partnership, corporation, trust); name of each member and persons with a beneficial interest in the association; each member's badge symbol and number; account numbers for each member's accounts, including those in which a member has an interest or controls; identification of other broker association with which the member is associated; and name of the (cont'd)

individual authorized to represent the association in connection with its registration obligations.

Adopted.

November 23, 1993 (93-8).

¶ 6463

Clearing Corporation Rules

Rule 363. The rights and obligations of purchasers and sellers of futures cleared by the Clearing Corporation, including but not limited to rights and obligations in respect of clearing and settlement, variation payments and performance at maturity, shall be as set forth in the By-Laws and Rules of the Clearing Corporation.

Amendment.

November 7, 2003 (03-16).

¶ 6464

Manipulation/Cornering Prohibited

Rule 364. It shall be a violation of the Rules of the Exchange for any member, or any member organization, to manipulate, or attempt to manipulate, the price of, or to corner, any commodity traded on the Exchange.

Adopted.

September 30, 2003 (2003-04).

¶ 6465

Exchange Recordkeeping

Rule 365. The Exchange shall comply with the recordkeeping requirements applicable to designated contract markets pursuant to Commission Rule 1.35, Records of cash commodity, futures, and option transactions, subject to the terms of the no-action letter issued by the Commodity Futures Trading Commission, Division of Trading and Markets, to the Exchange dated August 24, 1992. The Exchange shall maintain records as required by Commission Rule 1.31, Books and records; keeping and inspection.

Adopted.

October 14, 2003 (2003-06).

¶ 6466

References to Commission Rules

Rule 366. Wherever the context permits, all references in the Exchange's rules to Commission rules include any successor Commission rules.

Adopted.

October 14, 2003 (2003-08).

Rules 367.—400. Reserved.

DISCIPLINARY RULES

¶ 6471

Disciplinary Rules

Rule 401. (a) Any member, member organization, or any person associated with any member or member organization (the "respondent") who is alleged to have violated or aided and abetted a violation of the By-Laws and Rules of the Exchange or any interpretation thereof, or the rules, regulations, resolutions and stated policies of the Board of Directors or any Committee of the Exchange, shall be subject to the disciplinary jurisdiction of the Exchange, and after notice and opportunity for a hearing may be appropriately disciplined by expulsion, suspension, fine, censure, limitation or termination as to activities, functions, operations, or association with a member or member organization, or any other fitting sanction in accordance with the provisions of these disciplinary rules.

(b) A member or a general partner, officer, director (or a person occupying a similar status or performing similar functions) of a member organization may be charged with any violation within the disciplinary jurisdiction of the Exchange committed by any person under his supervision or control or by the member organization with which he is affiliated, as though such violation were its own. A member organization may be charged with any violation within the disciplinary jurisdiction of the Exchange committed by its general partners, officers, directors, persons occupying a similar status or performing similar functions, or employees or by a member or other person who is associated with such member organization, as though such violation were its own.

(c) Any member, member organization, or any person associated with a member or member organization, shall continue to be subject to the disciplinary jurisdiction of the Exchange following the termination of such person's membership or the termination of the employment by or the association with a member or member organization of such person, or the deregistration of a member organization from the Exchange; provided that the Exchange serves written notice to such party within one year of receipt by the Exchange of notice of such termination or deregistration that the Exchange is making inquiry into a matter or matters which occurred prior to such termination or deregistration.

(d) For the purpose of the Disciplinary Rules, the term "person associated with a member or member organization" or "associated person of a member or member organization" shall mean "any general partner, officer, or director of such member organization (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such member or member organization, or any employee of such member or member organization."

¶ 6472

Investigation and Authorization of Complaint

Rule 402. (a) Initiation of Investigation. The Exchange shall investigate possible violations within the disciplinary jurisdiction of the Exchange upon instruction of either the Board, the Business Conduct Committee, the President or other Exchange officials designated by the President, upon receipt by the Exchange of a written accusation from a member, member organization or from any person which specifies in reasonable detail the facts which are the subject of the accusation, upon the receipt of a request from the Commission, its Executive Director or his designee, or upon the discovery or receipt of information by the Exchange which, in the judgment of the Exchange staff, indicates a possible basis for finding that a violation has occurred.

(b) Cooperation with Investigation or Examination. Each member, member organization, or person associated with a member or member organization shall promptly comply with any request of the Exchange's Market Surveillance Department, (cont'd)

Examinations Department, Enforcement Department or any officer of the Exchange for information, documents or testimony; each member, member organization or person associated with a member or member organization shall not otherwise impede or delay an Exchange investigation into matters within its disciplinary jurisdiction.

(c) Right to Counsel. A member, member organization or person associated with a member or member organization shall have the right to be represented by counsel or any other representative of his choosing (other than a person who is a subject of the same or a related investigation or disciplinary proceeding) in connection with requests for documents or testimony and throughout the course of any disciplinary proceeding and the review thereof or any hearing concerning a summary action.

(d) Report.

(1) Whenever the Market Surveillance Department or the Examinations Department determines from surveillance or from an investigation that a reasonable basis exists for finding a violation within the disciplinary jurisdiction of the Exchange, it shall submit a written investigation report to the Business Conduct Committee including the reason the investigation was initiated, the membership interest of the person involved, a summary of the complaint, if any, the relevant facts, the staff's conclusions and a recommendation as to whether the Business Conduct Committee should proceed with the matter.

(2) If after conducting an investigation the Market Surveillance Department or the Examinations Department has determined that no reasonable basis exists for finding a violation, it shall prepare a written report including the reasons the investigation was initiated, the membership interest of the person involved, a summary of the complaint, if any, the relevant facts and the staff's conclusions; and, if applicable, a copy of any warning letter issued in accordance with subparagraph (f). The report shall become part of the investigation file which thereafter may be closed.

(e) Review of Investigation Report. The Business Conduct Committee shall promptly review each investigation report. In the event the Business Conduct Committee determines that additional investigation or evidence is needed, it shall promptly direct the Market Surveillance Department or the Examinations Department to conduct further investigation. After receipt of a completed investigation report, the Business Conduct Committee shall take one of the actions set forth in paragraph (f) or (g) of this Rule.

(f) Determination not to Initiate Charges. If the Business Conduct Committee determines that no reasonable basis exists for finding a violation or that prosecution is otherwise unwarranted, it shall so instruct the Market Surveillance Department or the Examinations Department and its instruction not to initiate disciplinary action along with the reasons for not initiating such action shall be recorded in the minutes of the Business Conduct Committee. The Business Conduct Committee may also instruct the Market Surveillance Department or the Examinations Department to issue a warning letter to any person which was under investigation. A warning letter issued pursuant to this subparagraph (f) is not a disciplinary sanction or an indication that a finding of a violation has been made.

(g) Determination to Initiate Charges. If the Business Conduct Committee determines that a reasonable basis exists for finding a violation which should be adjudicated, it shall direct the Enforcement Department to prepare a Statement of Charges and shall proceed in accordance with the Disciplinary Rules.

Amendment.

October 19, 1993 (93-4).

¶ 6473**Statement of Charges**

Rule 403. (a) The Statement of Charges shall:

- (1) State the specific acts, practices or conduct in which the person (the "respondent") is alleged to have engaged;
- (2) Set forth the specific provisions within the disciplinary jurisdiction of the Exchange alleged to have been violated;
- (3) State the period within which a hearing on the charge may be requested in accordance with the Disciplinary Rules;
- (4) Advise the respondent that:
 - (i) He is entitled, upon request, to a hearing on the charges;
 - (ii) Failure to request a hearing within the period prescribed in the notice shall be deemed a waiver of the right to a hearing; and
 - (iii) Failure in the answer to deny expressly a charge shall be deemed to be an admission of such charge.

(b) A copy of the Statement of Charges shall be served upon each of the respondents in accordance with Rule 411.

¶ 6474**Answer**

Rule 404. A respondent shall have fifteen (15) business days after service of the Statement of Charges to file a written answer thereto. The Answer shall specifically admit or deny each allegation contained in the Statement of Charges, and a respondent shall be deemed to have admitted any allegation contained not specifically denied. The Answer may also contain any defense which a respondent wishes to submit and may be accompanied by documents in support of his Answer or defense. A respondent must state in his Answer whether he requests a hearing concerning the Statement of Charges. A respondent who does not so request a hearing shall be deemed to have waived his right to request a hearing and the Business Conduct Committee may thereafter prepare its decision in accordance with Rule 408. In the event a respondent fails to file an Answer within the specified time, or has not within the specified time, requested and obtained from the Business Conduct Committee an extension of time to answer, the charges shall be considered to be admitted and the Business Conduct Committee may prepare its decision in accordance with Rule 408.

¶ 6475**Hearing**

Rule 405. (a) Participants and Selection of Hearing Panels. A hearing on the Statement of Charges shall, at the request of respondent in his Answer, or upon motion of the Business Conduct Committee, be held before a Hearing Panel composed of three persons to be appointed by the Chairman of the Business Conduct Committee. The presiding person of each Hearing Panel shall be a member of the Business Conduct Committee. One person on the Hearing Panel shall be a member of the Exchange, or a general partner or officer of a member organization, or such other person whom the Chairman of the Business Conduct Committee considers to be qualified. Pursuant to Commission Regulation, unless the case is related to decorum or attire, financial requirements or reporting or recordkeeping, and does not involve fraud, deceit or conversion, at least two of the three members of the Hearing Panel shall represent a membership interest other than that of the subject of the disciplinary proceeding and, if the subject of the disciplinary action is a member of the Exchange's Board of Directors or any major disciplinary committee, or whenever any of the rule violations involved pertain to manipulation or attempted manipulation of the price of a commodity, futures contract or option on a futures contract, or to conduct which directly results in financial harm to a non-member of the Exchange, one person shall be a non-member of the Exchange. The Chairman of the Committee shall select these two other persons from those persons who shall have been designated by the Chairman of the Board of

Directors to serve on such hearing panels. In making such selections the Chairman shall, to the extent practicable, choose individuals whose background, experience and training qualify them to consider and make determinations regarding the subject matter to be presented to the Hearing Panel. He shall also consider such factors as the availability of individual hearing officers, the extent of their prior service on Hearing Panels and any relationship between such persons and a respondent which might make it inappropriate for such person to serve on the Hearing Panel.

No person may serve on the Hearing Panel if he or any person or firm with which he is affiliated has a financial, personal, or other direct interest in the matter under consideration. Promptly after the selection of the panelists, the Chairman of the Committee shall cause written notice thereof to be given to the accused. If any person involved in the disciplinary proceeding shall have knowledge of a relationship between himself and any person selected for service on the Hearing Panel which might result in such panelist being unable to render a fair and impartial decision, he shall give prompt written notice thereof to the Chairman of the Committee, specifying the nature of such relationship and the grounds for contesting the qualification of such person to serve on the Hearing Panel. The decision of the Chairman of the Committee shall be final and conclusive with respect to the qualification of any person to serve on the Hearing Panel.

(b) Notice of Hearing and Pre-Hearing Procedures. The respondent shall be given at least fifteen (15) business days' notice of the time and place of the hearing. The presiding person of the Hearing Panel may schedule a pre-hearing conference to be held not less than eight (8) business days in advance of the scheduled hearing date, to be attended by a representative(s) of the Enforcement Department, each of the respondents and a member of the Hearing Panel for the purpose of clarifying and simplifying issues and otherwise expediting the proceeding. At such a conference, the Enforcement Department and the respondent shall furnish to the Panel and to each other copies of all books, documents or other tangible evidence in their possession or under their control which are to be relied upon in presenting or defending against the charges contained in the Statement of Charges, respectively, or which are relevant to those charges. The Enforcement Department and the respondent shall also attempt to stipulate to the authenticity of documents and to facts and issues not in dispute and any other items which will serve to expedite the hearing of the matter at such a conference.

(c) Conduct of Hearing. The Hearing Panel shall determine all questions concerning the admissibility of evidence and shall otherwise regulate the conduct of the hearing.

(1) The formal rules of evidence shall not apply; nevertheless, the procedures for the hearing shall not be so informal as to deny a fair hearing.

(2) A representative of the Enforcement Department shall present the charges of rule violations and the evidence in support thereof which are the subject of the hearing.

(3) The respondent shall be entitled to appear personally at the hearing.

(4) The representative of the Enforcement Department and the respondent shall be entitled to cross-examine any persons appearing as witnesses at the hearing.

(5) The representative of the Enforcement Department and the respondent shall be entitled to call witnesses who shall testify under oath and be subject to cross-examination and questioning by the Hearing Panel and to present such evidence as may be relevant to the charges.

(6) The presiding person of the Hearing Panel may, on his own motion, request the production of documentary evidence and witnesses.

(7) The Exchange shall require persons within its jurisdiction who are called as witnesses to appear at the hearing and to produce evidence. It shall make reasonable efforts to secure the presence of all other persons called as witnesses whose testimony would be relevant.

(8) If the respondent has requested a hearing, a substantially verbatim record of the hearing shall be made and shall become a part of the record of the proceeding. The record must be one that is capable of being accurately transcribed; however, it need not be transcribed unless the transcript is requested by Commission staff or the respondent, the decision is appealed under Rule 409 or is reviewed by the Commission pursuant to Section 8c of the Act or Part 9 of the Commission's Regulations. In all other instances, a summary record of a hearing is permitted.

(9) The cost of transcribing the record of the hearing shall be borne by a respondent who requests the transcript, appeals the decision pursuant to Rule 409, or whose application for Commission review of the disciplinary action has been granted under Part 9 of the Commission's Regulations. In all other instances, the cost of transcribing the record shall be borne by the Exchange.

(d) Recommendation of Hearing Panel. Based on its review of the entire record of the proceeding, the Hearing Panel shall submit a written report to the Business Conduct Committee containing:

(1) proposed findings of fact concerning the allegations in the Statement of Charges;

(2) conclusions as to whether a violation within the disciplinary jurisdiction of the Exchange has been committed and an enumeration of such violations; and

(3) recommendations as to appropriate sanctions.

(e) Intervention. Any person not otherwise a party may intervene as a party to the hearing upon demonstrating to the satisfaction of the Hearing Panel that he has an interest in the subject of the hearing and that the disposition of the matter, may, as a practical matter, impair or impede his ability to protect that interest. Also, the Hearing Panel may in its discretion permit a person to intervene as a party to the hearing when the person's claim or defense and the main action have questions of law or fact in common. Any person wishing to intervene as a party to a hearing shall file with the Hearing Panel a notice requesting the right to intervene, stating the grounds therefor, and setting forth the claim or defense for which intervention is sought. The Hearing Panel, in exercising its discretion concerning intervention, shall take into consideration whether the intervention will unduly delay or prejudice the adjudication of the rights of the original parties.

Amendment.

October 19, 1993 (93-4).

¶ 6476

Summary Disciplinary Proceedings

Rule 406. (a) Initiation of Summary Disciplinary Proceeding. The Business Conduct Committee may make a summary decision in a disciplinary proceeding that violations within the disciplinary jurisdiction of the Exchange have occurred and impose sanctions upon those culpable for such conduct whenever any member or member organization or person associated with or employed by a member or member organization:

(1) has admitted such a violation;

(2) there is no dispute concerning those material facts which give rise to such violation; or

(3) the violation is listed in paragraph (d) of this rule.

¶ 6476 Rule 406

(b) Notice to Respondent. The Exchange shall serve notice and a copy of such a summary decision upon the respondent in accordance with Rule 411. Respondent may, no later than fifteen (15) business days after service, file with the Exchange's Department of Market Surveillance a written reply to the summary decision, including documentary support, asking the Business Conduct Committee to set aside any of the findings made or sanctions imposed in the summary decision. Respondent may include a request for a hearing in its reply. If a reply is not filed within the specified time period, the summary decision shall become final and the respondent shall have waived any and all rights of review. Hearings held pursuant to this Rule shall be governed by those procedures contained in Rule 405. When a respondent has admitted or failed to deny having committed a violation, any further proceeding pursuant to the Disciplinary Rules shall be limited to the issue of the propriety of the sanction imposed.

(c) Further Proceeding. The Business Conduct Committee shall set aside a decision in a summary proceeding if a respondent establishes that an issue of material fact or law exists as to any of the findings contained or sanctions imposed in the summary decision. Should a summary decision be set aside on these grounds, a hearing will then be scheduled on the merits of the issues in dispute and the case shall proceed in accordance with Rules 405, 408 and 409. If the Business Conduct Committee decides that no issues of material fact or law exist with respect to the summary decision, the summary decision becomes final and may be appealed in accordance with Rule 409. The Exchange shall serve notice and a copy of such decision upon the respondent and the Board of Directors in accordance with Rule 411.

(d) Summary Violations.

(A) Floor Officials. The Commodity Floor Procedure Committee may designate Floor Members to serve as Floor Officials. Floor Officials shall resolve floor trading disputes that are not resolved among the parties and administer Floor Advices. In addition, Floor Officials may issue fines for decorum offenses.

(B) Summary Procedure—Decorum. A Floor Official may, without hearing, impose minor penalties against members for decorum offenses committed by such members or by a person or persons for whom such members are responsible. Decorum offenses include the following: smoking, food and beverage, identification badges, order, visitors, dress code and security.

(1) Smoking

Smoking is prohibited on the trading floor and the lower level areas adjacent to the trading floor except for those areas specifically designated for smoking.

1st Occurrence	Official Warning
2nd Occurrence	\$250.00
3rd Occurrence	\$500.00
4th and Thereafter	Sanction is discretionary with Business Conduct Committee

(2) Food, Liquids and Beverages

Food, liquids and beverages are prohibited on the trading floor and the lower level areas adjacent to the trading floor except for the lunchrooms.

1st Occurrence	Official Warning
2nd Occurrence	\$100.00
3rd Occurrence	\$200.00
4th and Thereafter	Sanction is discretionary with Business Conduct Committee

(3) Identification Badges/Access Cards

(i) Identification badges must be worn chest high in full view and must accurately reflect the respective person's associations and dual affiliations.

[The next page is 6083-3.]

1st Occurrence	Official Warning
2nd Occurrence	\$100.00
3rd Occurrence	\$200.00
4th and Thereafter	Sanction is discretionary with Business Conduct Committee

(ii) Use of another person's Identification Badge or Access Card will carry a fine of \$250.00 for the first occurrence and \$500.00 for each subsequent occurrence. The fine may be assessed against both the user and the person who allowed such use.

(4) Order

Instances determined by a Floor Official as violative of the "Order" requirement may result in fines as described below:

(i) No member or employee of a member shall conduct himself or herself in a disorderly manner on the trading floor.

1st Occurrence	\$ 50.00
2nd Occurrence	\$100.00
3rd Occurrence	\$250.00
4th Occurrence	\$500.00
5th and Thereafter	Sanction is discretionary with Business Conduct Committee

(ii) Each and every instance of abusing the paging system will carry a fine of \$1,000.00.

(iii) Firearms are prohibited on the trading floor and each and every occurrence will carry a fine of \$1,000.00.

(iv) Each act of inciting an incident of physical abuse shall carry a fine of \$250.00. Each minor act of physical abuse shall carry a fine of \$500.00. Each major act of physical abuse shall carry a fine of \$1,000.00.

In any instance where an act of physical abuse is deemed particularly egregious, or where an individual has established a pattern of Order violations, two Floor Officials may refer the matter to the Business Conduct Committee where additional fines and other sanctions may be imposed.

(5) Visitors

Non-member visitors will be permitted on the trading floor at the discretion of the Commodity Floor Procedure Committee. All visitors must be signed in by a member or Exchange official and accompanied at all times by a member, associated person of a member or an Exchange official.

1st Occurrence	Official Warning
2nd Occurrence	\$ 50.00
3rd Occurrence	\$100.00
4th and Thereafter	\$200.00
5th and Thereafter	Sanction is discretionary with Business Conduct Committee

(6) Dress

All members have a choice of wearing their suit jacket or a color coded firm jacket. All clerks are required to wear a color coded clerk jacket. No hats of any type may be worn except for visors. Any type of clothing that draws excessive attention and detracts from a professional atmosphere is prohibited. All males must wear dress shirts with neckties or bowties. Neckties must be properly knotted and clip-on bowties must be connected to both sides of the collar. Blue jeans, dungarees, denim garments of any color or type regardless of style or cost, tie-dyed garments, sneakers, garments that are dirty, frayed, faded or torn are not acceptable forms of attire. APPROPRIATE running shoes or gym shoes are permitted but no sandals. This rule shall be in effect on regular business days for any floor open for trading.

1st Occurrence	Official Warning
2nd Occurrence	\$ 50.00
3rd Occurrence	\$100.00
4th and Thereafter	\$200.00
5th and Thereafter	Sanction is discretionary with Business Conduct Committee

(7) Proper Utilization of the Security System

a) Attempt to Circumvent the Security System of the Exchange

Any member or employee of a member firm who wishes to enter or exit the Exchange trading facilities must do so through the areas where the Exchange security systems are located.

1st Occurrence	\$250.00
2nd Occurrence	\$500.00
3rd and Thereafter	Sanction is discretionary with Business Conduct Committee

b) Required Filing for Floor Member Firm Employee Status Notices with the Exchange

Following the termination of, or the initiation of a change in the trading status of any employee of a member firm who has been issued an Exchange access card and trading floor badge, a completed "Status Notice" must be submitted to the Director of Regulatory Services of the Exchange as soon as possible, but no later than 9:30 am the next business day by the member firm employer. Further, every effort should be made to obtain the employee's access card and trading floor badge and to submit these to the Security Department.

1st Occurrence	\$100.00
2nd Occurrence	\$200.00
3rd and Thereafter	Sanction is discretionary with Business Conduct Committee

c) Required Filing for the termination of, or the initiation of a change in the status of, a business relationship between Members and their Clearing Organizations

Following the commencement or termination of a clearing arrangement between members and their clearing organization, a completed "Clearing Arrangement Notice" must be submitted to the Director of Regulatory Services of the Exchange as soon as possible, but no later than 9:30 am the next business day by such clearing organization.

1st Occurrence	\$100.00
2nd Occurrence	\$200.00
3rd and Thereafter	Sanction is discretionary with Business Conduct Committee

(C) Summary Procedure—Floor Advices. The Exchange may, without hearing, impose minor penalties against members for minor rule offenses committed by such members or by any person or persons for whom such members are responsible. Minor rule offenses include the following Floor Advices:

(1) Use of Identification Letters and Numbers

All Registered Commodity Traders and Floor Brokers must use the complete alpha/numeric identification assigned by the Exchange. All Floor Brokers must put their complete alpha/numeric identifiers on every ticket which they broker.

FINE SCHEDULE

1st Occurrence	\$ 50.00
2nd Occurrence	\$100.00
3rd Occurrence	\$250.00
4th Occurrence	Sanction is discretionary

with Business Conduct
Committee

(2) Changes or Corrections to Material Terms of a Trade

All correction sheet submissions which change material terms of a transaction (security, price, volume, series, class and customer to firm participations) must be signed by all parties to the transaction. Also, if one of the parties to the transaction is not present at a time such matter is being resolved, a signature by Surveillance staff is required to acknowledge the contra-side's absence. The Surveillance signature in any such case does not relieve any party to the trade of liability in connection with the change.

FINE SCHEDULE (Implemented on a three year running calendar basis.)

1st Occurrence	\$50.00
2nd and Thereafter	\$50.00

(3) Failure to Comply with an Exchange Inquiry

Each Member, member organization or associated person is required to promptly comply with any request of information made by the Exchange in connection with any regulatory inquiry, investigation or examination relating to the Exchange's disciplinary jurisdiction or regulatory obligations.

For the purpose of this rule, information received within ten (10) business days from the date of the original request shall be deemed to meet the requirement of prompt compliance, except for purposes of Examinations Department requests, information received within two business days from the date of the original request shall be deemed to meet the requirement of prompt compliance.

The Exchange may under extenuating circumstances grant extensions to allow for responses beyond the allotted requirement. Requests for extensions must be submitted in writing to the appropriate department, prior to the due date of the outstanding request. Each additional request for information not furnished within the allotted time periods may be considered a separate occurrence for purposes of the fine schedule below.

FINE SCHEDULE (Implemented on a three year running calendar basis.)

1st Occurrence	\$ 200.00
2nd Occurrence	\$1,000.00
3rd Occurrence	\$2,500.00
4th and Thereafter	Sanction is discretionary with Business Conduct Committee

(4) Responsibility for Assigning Participation on the Floor

a) In each instance where a member effects a transaction on the Exchange floor, he must make reasonable efforts to ensure that a meeting of the minds occurred with the contra-side as to confirming the contra-side's participation in the trade. In trades where more than one contra-side is involved, each contra-side must immediately make known to the largest participant his understanding as to his respective level of participation in the trade.

b) No such contra-side who believes that he may have participated in the trade shall leave the crowd until the level of his participation in the trade has been confirmed by the largest participant.

c) No person in the crowd shall submit a ticket for matching on a trade when that person has or should have grounds to believe that he is not due participation in the trade.

d) Disputes as to participation on a trade shall be resolved by a majority vote of those persons present in the crowd during the relevant time or, if not so settled, then by a Floor Official.

FINE SCHEDULE

1st Occurrence	\$100.00
2nd Occurrence	\$250.00
3rd Occurrence	\$500.00
4th and Thereafter	Sanction is discretionary with Business Conduct Committee

(5) Use of Order Tickets

In accordance with CFTC Regulation 1.35 (d)(7)(ii), all order tickets must be completed in non-erasable ink. A member may correct any errors by crossing out erroneous information or rewriting the order ticket provided that all essential trade information as displayed on the original order be included on the rewritten ticket.

FINE SCHEDULE

1st Occurrence	\$100.00
2nd Occurrence	\$250.00
3rd Occurrence	\$500.00
4th and Thereafter	Sanction is discretionary with Business Conduct Committee

(6) Reporting of Exchange for Physical (EFPs) Transactions:

All reports of EFPs shall be made in a form as prescribed by the Exchange. The memoranda of EFPs shall reflect the identity of the parties, representative floor brokers, clearing member organization, the time of the transaction, number of future contracts involved, their designated symbols, the equivalent cash (spot) commodity's price of the transaction and such other pertinent documentation evidencing transfer of the cash (spot) commodities component of the transaction.

FINE SCHEDULE

1st Occurrence	\$100.00
2nd Occurrence	\$250.00
3rd Occurrence	\$500.00
4th and Thereafter	Sanction is discretionary with Business Conduct Committee

(7) Time Stamping Requirements:

In accordance with Section 5a(b) of the Act, all order tickets must be time stamped as required by Rules 324, 325 and 326. Specifically, members must prepare a written record (order ticket) reflecting the following time stamps: time of the order execution (see Rule 324), and, except respecting orders of Registered Commodities Traders or members present on the floor, time of order receipt on the floor, time of floor broker receipt, and time of execution report. (see Rule 325).

FINE SCHEDULE

1st Occurrence	\$100.00
2nd Occurrence	\$250.00
3rd Occurrence	\$500.00
4th and Thereafter	Sanction is discretionary with Business Conduct Committee

Amendment.

February 15, 1994 (93-6).

March 24, 1995.

November 20, 1995.

¶ 6477**Offers of Settlement**

Rule 407. (a) At any time during the course of any disciplinary proceeding, a respondent may submit to the Business Conduct Committee a written offer of settlement which shall contain a proposed stipulation of facts and shall consent to specified sanctions. The Business Conduct Committee may accept the offer of settlement, but may not alter its terms unless the respondent agrees. Pursuant to Commission Regulation, unless the case is related to decorum or attire, financial requirements or reporting or recordkeeping, and does not involve fraud, deceit or conversion, the Business Conduct Committee making this determination to accept or reject the offer of settlement shall be comprised of at least 50% of persons representing a membership interest other than that of the subject of the disciplinary proceeding and, if the subject of the disciplinary action is a member of the Exchange's Board of Directors or any major disciplinary committee, or whenever any of the rule violations involved pertain to manipulation or attempted manipulation of the price of a commodity, futures contract or option on a futures contract, or to conduct which directly results in financial harm to a non-member of the Exchange, at least one person who is not a member of the Exchange.

(b) The Business Conduct Committee may permit the respondent to accept a sanction without either admitting or denying the rule violations upon which the sanction is based.

(c) If the Business Conduct Committee accepts an offer of settlement, it shall issue a written decision specifying the rule violations it has reason to believe were committed and any sanction to be imposed. Where applicable, the decision shall also include a statement that the respondent has accepted the sanctions imposed without either admitting or denying the rule violations.

(d) The respondent may withdraw his offer of settlement at any time before final acceptance by the Business Conduct Committee. If an offer is withdrawn after submission or is rejected by the Business Conduct Committee, the matter shall proceed as if such offer had not been made and the offer and all documents relating thereto shall not become part of the record.

(e) A decision of the Business Conduct Committee issued upon acceptance of an offer of settlement as well as the determination of the Committee whether to accept or reject such an offer shall be final and the respondent may not seek review thereof.

Amendment.

October 19, 1993 (93-4).

¶ 6478**Decision**

Rule 408. Promptly following a hearing conducted in accordance with Rule 405, the Business Conduct Committee, after a review of the entire record of the disciplinary proceeding, by a majority of the members voting, shall render a written decision based upon the preponderance of the evidence contained in the record of the proceeding. A copy of the decision shall be promptly served on the respondent in accordance with Rule 411. The decision shall include:

(a) the notice of charges or a summary of the charges;

(b) the answer, if any, or a summary of the answer;

(c) a brief summary of the evidence produced at the hearing or, where appropriate, incorporation by reference of the investigation report;

(d) a statement of findings and conclusions with respect to each charge set forth in the statement of charges, including the specific rules which the respondent is found to have violated; and

(e) a declaration of any sanction imposed and the effective date of such sanction.

¶ 6479**Review**

Rule 409. (a) Petition. A respondent shall have fifteen (15) business days after service of notice and a copy of a decision made pursuant to Rules 406(c) and 408 to petition the Board of Directors for review thereof. Such petition shall be in writing and shall specify the findings and conclusions of the Business Conduct Committee which are the subject of the petition, together with the reasons that respondent petitions for review of these findings and conclusions, and whether he desires a hearing before an advisory committee of the Board thereon. Any objections to a decision not specified in the petition for review shall be thereafter waived. If the respondent does not petition the Board of Directors for review of a decision of the Business Conduct Committee within the time prescribed herein or petitions the Board and the Board takes no action for thirty (30) days after service upon it of such a decision, the decision of the Business Conduct Committee shall become a final decision of the Exchange on either of such dates, as applicable.

(b) Conduct of Review. The petition for review shall be considered by the Board of Directors, except that no director shall participate in such consideration if he participated in any prior stage of the proceeding or if he or any person or firm with which he is affiliated has a financial, personal, or other direct interest in the matter. Unless the Board of Directors shall decide for good cause shown, such review shall be based solely upon the record before the Board of Directors and the petition for review. The Chairman of the Board shall appoint an advisory committee of three directors to examine the record on appeal which shall give an advisory opinion thereon to the Board of Directors and before whom any hearing on review shall be conducted pursuant to Rule 409(c). Pursuant to Commission Regulation 1.64, unless the case is related to decorum or attire, financial requirements or reporting or recordkeeping, and does not involve fraud, deceit or conversion, the advisory committee shall be comprised of at least two directors representing a membership interest other than that of the subject of the petition for review and, if the subject of the disciplinary action is a member of the Exchange's Board of Directors or any major disciplinary committee, or whenever any of the rule violations involved pertain to manipulation or attempted manipulation of the price of a commodity, futures contract or option on a futures contract, or to conduct which directly results in financial harm to a non-member of the Exchange, at least one director shall not be a member of the Exchange.

Promptly following the review proceeding and based upon such review, the Board of Directors, comprised of the appropriate number of non-member and commercial interest directors and a variety of membership interests pursuant to Commission

Regulation 1.64(b), by a majority vote of those members, shall issue a written decision thereon. The decision shall include a statement of findings and conclusions with respect to each charge or sanction reviewed, including the specific rules which the respondent was found to have violated by the Business Conduct Committee and a declaration of any sanction imposed and the effective date of such sanction. The Board of Directors may decide to affirm, reverse or modify, in whole or in part, the decision of the Business Conduct Committee. Such modifications may include an increase or decrease of the sanction. The decision on review shall be in writing, shall be final and shall be served on the respondent in accordance with Rule 411.

(c) Conduct of Hearing on Review. Whenever the Board of Directors determines for good cause shown that a hearing on review is appropriate, a respondent shall be given at least ten (10) business days' notice of the time and place of the hearing. The hearing shall be held before an advisory committee of three directors, appointed by the Chairman of the Board. The appointment of such panelists shall be governed by those procedures set forth in Rule 405(a) concerning notice to the respondent and issues for fairness and impartiality and the hearing shall be conducted in accordance with the requirements set forth in Rule 405(c)(1)-(8). No director shall serve on a panel if such director participated in any prior stage of the proceeding or if he or any person or firm with which he is affiliated has a financial, personal, or other direct interest in the matter. After the hearing takes place, the panel shall submit a written report to the Board of Directors containing its recommendations as to whether the decision of the Business Conduct Committee should be affirmed, modified or reversed. Upon receipt of this report, the Board of Directors shall thereafter proceed in accordance with Rule 409(b).

Amendment.

October 19, 1993 (93-4).

¶ 6480

Judgment and Sanctions

Rule 410. (a) Sanctions. Members, member organizations and persons associated with members or member organizations shall, subject to any Commission Regulation, be appropriately disciplined for violations under the Disciplinary Rules by expulsion, suspension, fine, censure, limitations or termination as to activities, functions, operations, or association with a member or member organization, or any other fitting sanction.

(b) Effective Date of Sanctions. Sanctions imposed under this section shall not become effective until the Exchange review process is completed or the decision otherwise becomes final and until at least ten days after notice thereof is given to the Commission, unless such sanctions are made effective sooner as provided in the Act or Commission Regulations.

(c) Announcement of Sanctions. As soon as sanction(s) imposed under this section become effective or within five (5) days after the Exchange provides the notice required to the person against whom the action was taken, whichever occurs first, the information set forth in Rule 408(a)-(e) shall be disclosed by means of a notice posted in a conspicuous place on the Exchange's premises to which the membership and the public regularly have access for a period of five (5) consecutive business days. Thereafter, a record of the information contained in such notice shall be maintained and made available for public inspection.

(d) Customer Notification of Disciplinary Actions. Pursuant to Commission Regulation 1.67, respecting a final disciplinary action finding that a member committed a rule violation that involved the execution of a transaction for a customer that resulted in financial harm to the customer, the Exchange shall promptly provide written notice of the disciplinary action to the futures commission merchant that cleared the transaction. In addition, such futures commission merchant shall promptly provide written

notice of such action to the individual or entity maintaining the account for which the transaction was executed, as such individual or entity is identified on the records of the clearing or carrying futures commission merchant, upon receipt of notice from a contract market or another futures commission merchant. Such written notice shall contain the principal facts of the case involved and shall conform to the requirements of Section 9.11(b) of the Act.

Amendment

November 18, 1993 (93-5).

6481 Service of Notice and Extension of Time Limits

Rule 411. (a) Service of Notice. Any charges, notices, or other documents may be served upon a respondent either personally or by deposit in the United States mail, postage pre-paid via registered or certified mail or by courier service addressed to the respondent at his address as it appears on the books and records of the Exchange. Unless otherwise stated in this Section, all documents required to be filed with the Exchange, the Board of Directors, the Market Surveillance Department, the Examination Department, the Enforcement Department, or an Exchange committee by a respondent pursuant to this section must be received by the Exchange on or before the day prescribed.

(b) Extension of Time Limits. Any time limits imposed under this section for the submission of answers, petitions, requests for a hearing, or other materials may be extended by the Exchange body before which the matter is currently pending.

¶ 6482 Fairness and Impartiality of Board or Committee Members

Rule 412. (a) Disqualification on Own Motion. No Board member or committee member shall in any manner participate in any disciplinary proceeding if such person cannot render a fair and impartial decision in the matter. In such case, that person shall remove himself from any consideration of the matter.

(b) Disqualification On Order of Chairman. Whenever any person has any reason to believe that a particular Board member or committee member cannot render a fair and impartial decision in a disciplinary proceeding, such person shall give prompt written notice thereof to the appropriate Chairman, specifying the grounds for contesting the qualification of such Board member or committee member. In such case, the decision of the Chairman shall be final and conclusive with respect to whether a Board member or committee member participates in the determination of such matters.

MEMBER AND MEMBER ORGANIZATION RESPONSIBILITY ACTIONS

¶ 6501

Duty to Report

Rule 450. (a) If an emergency event shall occur with respect to any member or member organization, such member or member organization promptly shall advise the Secretary of the Exchange of the occurrence thereof by the fastest available means of communication and immediately thereafter shall deliver written notice to the Exchange specifying

(1) the nature of such emergency event,

(2) the time when such emergency event occurred, and

(3) whether such member or member organization consents to a summary suspension pursuant to this Rule and Rule 451 and, if so, whether such member or member organization waives a hearing with respect thereto.

(b) For purposes of this Rule, the term "emergency event" shall mean with respect to any member or member organization:

(1) the filing of a petition, answer or other document, or the taking of any other action, by a member or member organization with respect to itself, or against such member or member organization seeking a liquidation, arrangement, reorganization or other or similar relief under the provisions of the Federal Bankruptcy Act or of any other state or federal law for the relief of insolvent debtors;

(2) the dissolution of such member or member organization;

(3) the insolvency (as defined under any applicable state or federal law) of such member or member organization;

(4) the failure of such member or member organization to meet the applicable financial requirements of the Exchange, the Clearing Corporation or any governmental agency or self-regulatory body;

(5) the failure of such member or member organization to meet when due any margin call issued by any clearing organization or other person or to pay any option premium when due to any person, the default by such member or member organization under any commodity interest on this or any other contract market, or the failure or inability for financial reasons of such member or member organization to fulfill any of its contracts; or

(6) the imposition of any injunction or other restraint by any government agency, court or arbitrator which may affect the ability of such member or member organization to perform its contracts or otherwise to engage in business.

¶ 6502

Summary Suspension

Rule 451. In the event that a member or member organization advises the Exchange as provided in Rule 450 and consents to a summary suspension, either orally or in writing, the Exchange shall immediately suspend such member or member organization in accordance with the terms of such consent.

¶ 6503

Action of Business Conduct Committee¹

Rule 452. (a) If at any time, the Business Conduct Committee, in its sole discretion, determines that there is a substantial question as to whether a financial emergency exists with respect to any member or member organization, the Business Conduct Committee may suspend such member or member organization. For purposes of this Rule, the term "financial emergency" shall mean, with respect to any member or member organization, any situation in which, in the sole discretion of the Business Conduct Committee, the financial condition of such member or member organization is not adequate for such member or member organization to meet its financial obligations as they become due or to engage in business, or is such that it would not be in the best interests of the marketplace for such member or member organization to continue in business, including, without limitation, any event specified in paragraph (b) of Rule 450.

(b) Any action taken pursuant to paragraph (a) of this Rule shall be taken after notice to the member or member organization against which the action is taken and an opportunity for such member or member organization to be heard, unless

(1) such member or member organization shall have waived such notice and/or hearing, or

(2) the Business Conduct Committee in its sole discretion shall determine that the furnishing of notice and/or an opportunity to be heard before taking such action is not practicable under the circumstances.

(c) In any case in which action is taken against a member or member organization without prior notice and/or an opportunity to be heard pursuant to subparagraph (b)(2) of this Rule, the Exchange shall give such member or member organization notice and an opportunity to be heard promptly.

Amendment.

October 19, 1993 (93-4).

¶ 6504

Notice to Member or Member Organization

Rule 453. (a) Any notice given to a member or member organization before action is taken against him pursuant to Rule 452 shall state:

(1) the financial emergency or other situation which it is believed may give rise to the need for action by the Business Conduct Committee; and

(2) the date, time and place of the hearing to be held before the Business Conduct Committee.

(b) Any notice given to a member or member organization after action has been taken against him pursuant to Rule 452 shall:

(1) state the action taken;

(2) briefly state the reasons for the action;

(3) state the effective time, date and duration of the action; and

(4) state that the member or member organization has an opportunity for a prompt hearing and specify the manner for requesting such a hearing.

¹ This provision deals with financial requirements such that the Business Conduct Committee is not acting as a "major disciplinary committee" pursuant to Regula-

tion 1.64(a)(2)(i)(B), such that the composition requirements of Regulation 1.64(c) do not apply.

¶ 6505**Hearing**

Rule 454. At any hearing conducted under Rule 452, the Business Conduct Committee shall determine the procedures to be followed, except that the following shall apply in every case:

(a) The case in support of the summary action shall be presented by a representative of the Enforcement Department.

(b) The member or member organization shall be allowed to be represented by counsel or any other representative of his choosing other than a person who is a subject of the same or a related investigation or disciplinary proceeding and, either personally or through such representative, to present witnesses and documentary evidence and to cross-examine witnesses.

(c) No formal rules of evidence shall apply and the Business Conduct Committee shall be free to accept or reject any and all evidence it considers proper.

(d) A stenographic transcript shall be made of the proceedings.

(e) The Exchange shall require persons within its jurisdiction who are called as witnesses to appear at the hearing and to produce evidence. It shall make reasonable efforts to secure the presence of all other persons called as witnesses whose testimony would be relevant.

(f) The notice of the hearing, the stenographic transcript, the documentary evidence and any other material presented to the Business Conduct Committee by either party with notice to the other shall constitute the record of the hearing.

¶ 6506**Decision**

Rule 455. (a) Promptly following any hearing pursuant to Rule 454, the Business Conduct Committee shall render a written decision based on the preponderance of the evidence contained in the record of the hearing and shall provide a copy of the decision to the member or member organization. The decision shall include:

(1) a description of any action taken without a hearing;

(2) the reasons for any action taken without a hearing;

(3) a brief summary of the evidence produced at the hearing;

(4) the findings and conclusions of the Business Conduct Committee;

(5) a determination that any action previously taken should be affirmed, modified or reversed; and

(6) a declaration of any action to be taken pursuant to the determination made in subparagraph (a)(5) of this Rule, the effective date and duration of such action and the date upon which such decision becomes final. Notwithstanding the foregoing, the Business Conduct Committee may take action pursuant to Rule 452 prior to rendering the written decision, if the Business Conduct Committee in its sole discretion deems it necessary or appropriate to do so.

(b) The decision of the Business Conduct Committee shall not be subject to appeal.

¶ 6507**Investigation of Financial Condition**

Rule 456. Every member and member organization suspended under the provisions of these member responsibility rules shall immediately afford every facility required by the Business Conduct Committee for the investigation of its affairs and shall, after the announcement of its suspension pursuant to Rule 410(c), file with the Secretary of the Exchange a written statement covering all information required by said Committee, including a complete list of its creditors and the amount owing to each.

[The next page is 6089-3.]

¶ 6508 Time for Settlement of Suspended Member

Rule 457. (a) If a member or member organization suspended under the provisions of these member responsibility rules fails to settle with its creditors and apply for reinstatement within six months from the time of its suspension, or within such further time as the Board of Directors may grant, or fails to obtain reinstatement as hereinafter provided, its membership share may be sold by the Admissions Committee.

(b) The Board of Directors may, by the affirmative vote of two-thirds of the Directors present at a regular or special meeting of the Board, extend the time of settlement for periods not exceeding one year each.

¶ 6509 Reinstatement of Suspended Member

Rule 458. (a) When a member or member organization suspended under the provisions of these member responsibility rules applies for reinstatement, notice thereof shall be sent by the Secretary of the Exchange to each member or member organization of the Exchange and posted on the Floor at least fourteen (14) days prior to the consideration by the Admissions Committee of said application. The applicant shall furnish to said Committee a list of creditors, a statement of the amounts originally owing and the nature of the settlement in each case. If satisfactory proof of settlement with all creditors is furnished, said Committee may approve his reinstatement.

(b) If the application for reinstatement is denied by the Admissions Committee, the applicant may appeal within ten (10) days thereafter to the Board of Directors, which may act on its reinstatement.

¶ 6510 Disciplinary Measures During Suspension in Member Responsibility Actions

Rule 459. A member or member organization suspended under the provisions of these member responsibility rules may be proceeded against by the Exchange for any offense committed by it either before or after the announcement of its suspension in all respects as if it were not under suspension.

¶ 6511 Rights of Suspended Member

Rule 460. A member or member organization suspended under the provisions of these member responsibility rules shall be deprived during the term of its suspension of all rights and privileges of membership, except such rights as it may have under the Membership Rules.

Rules 461.—500. Reserved.

ARBITRATION RULES

¶ 6521

Arbitration

Rule 501. Matters Subject to Arbitration; Incorporation by References

(a) Any dispute, claim or controversy between a customer, on one hand, and a member or member organization (including the Related Parties of such member or member organization), on the other hand, in each case in connection with, or otherwise related to, the Exchange business of such parties, shall, at the request of any such party, be arbitrated before an arbitration committee or panel constituted in accordance with, and subject to NFA's Code of Arbitration as in effect from time to time, which code is hereby incorporated by reference into this Chapter 5; provided, however, that a Customer shall not be subject to arbitration pursuant to this Chapter 5 without written consent by such Customer given in accordance with Commission Regulation 166.5.

(b) Any dispute, claim or controversy between or among members and member organizations (including their respective Related Parties), in each case in connection with, or otherwise related to, the Exchange business of such parties, shall, at the request of any such party and upon the approval of the President of the Exchange, or his or her designee, be arbitrated before an arbitration committee or panel constituted in accordance with, and subject to, NFA's Member Arbitration Rules as in effect from time to time, which rules are hereby incorporated by reference into this Chapter 5. This paragraph does not apply if NFA otherwise has jurisdiction over the dispute, claim or controversy.

(c) Copies of any Arbitration Claim or notice of intent to arbitrate filed with the NFA by or against any member or member organization (including their respective Related Parties) pursuant to the NFA Code of Arbitration and Member Arbitration Rules must be filed simultaneously with the President of the Exchange. Notwithstanding references to the President of NFA in Rule 2(b) of the NFA Code of Arbitration, any determinations as to arbitrability shall be made by the President of the Exchange, or his or her designee. If a party to a dispute, in an answer, reply or other written response to a request for arbitration, challenges the appropriateness of submitting a matter to arbitration under Chapter 5, the President of the Exchange, or his or her designee, shall serve upon the parties written notice of his or her decision to accept or reject the matter for arbitration. The decision by the President of the Exchange, or his or her designee, to accept or reject a matter for arbitration shall, at the request of any party to the dispute, be subject to review by the Board of the Exchange or a panel of the Board of the Exchange composed of at least three directors. Requests for review must be submitted to the President of the Exchange, or his or her designee, within 10 calendars days from receipt of notice of the decision by the President of the Exchange, or his or her designee. This paragraph does not apply if NFA otherwise has jurisdiction over the dispute, claim or controversy.

(d) For purposes of this rule, the term "Customer" means any person for or on behalf of whom a member of the Exchange effects a transaction on or subject to the By-Laws and Rules of the Exchange, except another member or member organization.

(e) For purposes of this Rule 501, the term "Related Parties" means, with respect to any member or member organization, as applicable, any partner, director, officer, branch manager or employee of such member or member organization (or any person occupying a similar status or performing similar functions) or any person directly or indirectly controlling, controlled by or under common control with, such member or member organization.

(f) For purposes of this Rule 501, the term "NFA" means the National Futures Association, and includes any successor organization fulfilling similar functions under the Commodity Exchange Act.

(g) References in NFA's Arbitration Code or Member Arbitration Rules to "Members" and "Associates" shall be deemed to be references to the Exchange's members and associated persons. References in NFA's Arbitration Code or Member Arbitration Rules to "customers" shall be deemed to be references to "Customers" as defined in Exchange Rule 501(d) above. Exchange members shall cooperate with NFA in all arbitration proceedings. NFA shall have the same power to compel production of evidence by Exchange members, employees and associated persons that it has with NFA "Members", employees and "Associates".

Amendment.

November 14, 2003 (03-11).

¶ 6522 Failure to Honor Award or Settlement

Rule 502. (a) Any member, member organization or associated person or Related Party who fails to honor an arbitral award or settlement rendered under this Chapter 5 shall be subject to disciplinary proceedings in accordance with Rules 401 - 412.

(b) In addition to commencing a disciplinary proceeding against a member, member organization, or Related Party for failure to honor an Award, the President of the Exchange may, on 30 days written notice, summarily suspend a member, member organization, or Related Party which:

(1) fails to comply with an award within 30 days from the date of service of the award by NFA or such other period as specified in the Award unless there is pending a request to modify the Award pursuant to NFA rules or an application to vacate, modify or correct the Award in a court of competent jurisdiction; or

(2) fails to comply with a settlement agreement within 30 days after NFA terminates the arbitration proceeding pursuant to NFA rules or such other period as specified in the settlement agreement; or

(3) fails to comply with a settlement agreement executed in connection with an NFA-sponsored pre-arbitration mediation proceeding within 30 days after the time stated in the settlement agreement; or

(4) fails to pay any fee assessed within the time so ordered by the panel.

The suspension shall remain in effect until such award, settlement agreement, or order of the panel has been satisfied.

Amendment.

November 14, 2003 (03-11).

Rules 503.—1000. Reserved.

[The next page is 6099.]

FOREIGN CURRENCY FUTURE CONTRACTS

¶ 6641

Scope and Application of Section

Rule 1201. The Rules in this Section shall be applicable to the trading on the Exchange of foreign currency futures contracts issued by the Clearing Corporation, the contract specifications of each foreign currency futures contract, the settlement thereof, and other matters relating to such foreign currency futures contracts.

Amendment.

November 6, 2003 (03-16)

¶ 6642

Obligation of Parties to Contract

Rule 1202. Rule 1202. The seller and the purchaser of a foreign currency futures contract agree to pay or receive, as the case may be, the final settlement amount provided for in Rule 1207 in accordance with the Rules of the Exchange and the Rules of the Clearing Corporation.

Amendment.

November 6, 2003 (03-16)

¶ 6643

Periods Traded

Rule 1203. (a) Trading in foreign currency futures contracts shall be conducted for delivery in six contract months: four such months shall be the March, June, September and December following the spot month (the cycle months) and two such months shall be the nearest two months following the spot month which are not one of the cycle months.

(b) Trading in the next cycle month in which trading has not been opened shall be initiated at the opening of trading on the first business day following the last trading day for a cycle month which has become the spot month and trading in the next calendar month (not a cycle month) in which trading has not become open shall be initiated at the opening of trading on the first business day following the last trading day for a calendar month which has become the spot month.

¶ 6644

Hours of Trading

Rule 1204. The Board of Directors has resolved that except under unusual conditions as may be determined by the Board or the Exchange official or officials designated by the Board foreign currency futures contracts trading shall be conducted at such times as the Board of Directors shall specify between 1:30 a.m. and 2:30 p.m. each business day.

Amendments.

September 1, 1987

December 8, 1988

October 9, 1990

November 2, 1994

¶ 6645

Last Trading Day

Rule 1205. No trades in any foreign currency futures contract which must be settled in any current contract month shall be made after the close of trading in that contract month as such time is established by the Exchange on the Friday immediately preceding the third Wednesday of the contract month or, if that day is not a business day then on the prior business day.

Amendment.

June 2, 1993 (93-3).

¶ 6646**Contract Modifications**

Rule 1206. Specifications shall be fixed as of the first day of trading of a foreign currency futures contract.

(a) Specifications for foreign currency futures contracts in British pounds.

1. Trading unit. The unit of trading shall be 62,500 British pounds. Quotations will be expressed in cents per unit of currency.

2. Price increments. The minimum price fluctuations shall be in multiples of \$.0001 per British pound, commonly referred to as 1 point.

(b) Specifications for foreign currency futures contracts in Swiss francs.

1. Trading unit. The unit of trading shall be 125,000 Swiss francs. Quotations will be expressed in cents per unit of currency.

2. Price increments. The minimum price fluctuations shall be in multiples of \$.0001 per Swiss franc, commonly referred to as 1 point.

(c) Specifications for foreign currency futures contracts in Japanese yen.

1. Trading unit. The unit of trading shall be 12,500,000 Japanese yen. Quotations will be expressed in hundredths of a cent per unit of currency.

2. Price increments. The minimum price fluctuations shall be in multiples of \$.000001 per Japanese yen, commonly referred to as 1 point.

(d) Specifications for foreign currency futures contracts in Canadian dollars.

1. Trading unit. The unit of trading shall be 100,000 Canadian dollars. Quotations will be expressed in cents per unit of currency.

2. Price increments. The minimum price fluctuations shall be in multiples of \$.0001 per Canadian dollar, commonly referred to as 1 point.

(e) Specifications for foreign currency futures contracts in the Australian Dollar.

1. Trading unit. The unit of trading shall be 100,000 Australian Dollars. Quotations will be expressed in cents per unit of currency.

2. Price increments. The minimum price fluctuations shall be in multiples of \$.0001 per Australian Dollar, commonly referred to as 1 point.

(f) Specifications for foreign currency futures contracts in the Euro.

1. Trading unit. The unit of trading shall be 125,000 Euros. Quotations will be expressed in cents per unit of currency. The Euro, the official currency of the Council of Ministers of the European Economic Community (EEC), is an open basket of currencies subject to revision by the Commission of the EEC.

2. Price increments. The minimum price fluctuations shall be \$.0001 per Euro, commonly referred to as 1 point.

Amendment.

March 26, 1993. (93-1)

November 6, 2003 (03-16)

¶ 6647

Final Settlement and Delivery

Rule 1207. Final Settlement and Delivery. (a) All settlements of currency futures contract must be made through and in accordance with the rules of the Clearing Corporation.

(b) Final settlement of a currency futures contract shall be made on the first day on which the Clearing Corporation is open for settlement following the last day of trading of the contract.

(c) For purposes of the rules of the Clearing Corporation, the final settlement price for a contract shall be based upon prices for the relevant currency established by bids and offers in the interbank foreign exchange market. Contract final settlement prices are based upon Phlx intra-day spot reference prices as of the final settlement time, which are in turn calculated using contributor quotes Phlx receives from a nationally recognized market data vendor. Contributor quotes are dollar-denominated bids and offers for spot transactions in a currency that the data vendor receives from quoting banks.

Phlx intra-day spot reference prices are a weighted average of a minimum of 2 and a maximum of 5 of the most recent contributor quotes. Contributor quotes greater than three minutes old are discarded. Contributor quotes less than one minute old are given a weight factor of three. Contributor quotes greater than one minute old but less than three minutes old are given a weight factor of two.

The Phlx intra-day spot reference price is calculated as follows:

$$S = \frac{\sum [(bid_i) \times 1/2 (w_i) + (ask_i) \times 1/2 (w_i)]}{\sum (w_i)}$$

Where:

S = the spot reference price

bid_i = the bid price of the *i*th contributor

ask_i = the ask price of the *i*th contributor

w_i = the weight factor of the *i*th contributor

Σ = summation sign

"*i*" = the number of contributor quotes

The final settlement time for a contract shall be as of the close of trading on the last trading day of the expiration month for that contract.

(d) This rule 1207(d) applies to daily settlement prices but not to final settlement prices. The settlement price for each foreign currency futures contract shall be the weighted average of the prices traded within the last minute of trading, as determined by the Exchange. If a contract month of a foreign currency futures contract has not traded in the last minute of trading, the settlement price for that contract month shall be fixed by the Exchange at the median of the highest bid and the lowest offer for that contract month during the last minute of trading. If both a bid and an offer have not been made during the final minute of trading in a contract month, the settlement price for that contract month shall be set at the same differential which such contract month had the next earlier contract month (in the case where the contract month is the spot month, the next later contract month) using the previous day's settlement prices to determine said differential. If such settlement price is not consistent with other sales in other contract months of a foreign currency futures contract during the closing range or with market information known to the designated Exchange official supervising the closing, such Exchange official may establish a settlement price at a level consistent with such other sales or market information, and shall prepare a written record setting forth the basis for any modification of such settlement price made pursuant to this paragraph (d).

Amendment.

November 6, 2003 (03-16)

¶ 6648**Aggregation of Positions**

Rule 1208. Aggregation of Positions. In determining whether any person has exceeded the position limits set forth in this section, all positions and accounts for which such person by power of attorney or otherwise directly or indirectly controls trading shall be included with the positions held by such person; such limits upon positions shall apply to positions held by two or more persons acting pursuant to an express or implied agreement or understanding, the same as if the positions were held by a single person.

¶ 6649**Reporting of Positions**

Rule 1209. Reporting of Positions. (a) Every member or member organization shall report each reportable position in a foreign currency futures contract to the Exchange at such times and in such form and manner as shall be prescribed by the Exchange. Reportable position levels shall be as prescribed by the rules of the CFTC.

(b) For purposes of determining the number of foreign currency futures contracts held or controlled by any person, positions in all accounts shall be aggregated in accordance with the provisions of Rule 1208.

¶ 6650**Margin Requirements for Foreign Currency Futures Contracts**

Rule 1210. (a) The Exchange shall establish and notify members and member organizations of the minimum amount of margin which must be obtained by all members and member organizations from customers, the amount of margin that must be maintained by customers, and the terms and conditions under which margin must be required and accepted from customers, with respect to foreign currency futures contracts (hereinafter "futures contracts" or "futures"). The Exchange may establish different levels of initial and maintenance margin for different classes of customers. For the purpose of this Rule, the term "customer" shall have the meaning set forth in Rule 15.

(b) No member or member organization shall accept an order for any account to purchase or sell a futures contract unless the initial margin established by the Exchange is on deposit or is forthcoming within a reasonable time, and the margin in the account with respect to pre-existing open positions complies with applicable maintenance margin requirements established by the Exchange or is forthcoming within a reasonable time.

(c) The member or member organization may call for additional margin at its discretion, but whenever a customer's margin is below the maintenance margin required by the Exchange, the member or member organization must call for such additional maintenance margin as well as restore the account to the level of initial margin required by the Exchange, and if within a reasonable time the customer fails to comply with such demand, the member or member organization must close out the customer's position or sufficient contracts to restore the customer's account to required margin status.

(d) The terms and conditions under which margin must be required and accepted from customers shall be as follows:

(1) On each business day, each member or member organization carrying a futures contract for a customer shall compute the amount of margin required therefore in accordance with the requirements of the Exchange and shall promptly issue a margin call to such customer in the event that the customer's margin is below the required level.

(2) Margin may be deposited by a customer with a member or member organization in one or more of the following forms:

(i) one or more of the forms set out in subparagraph (d)(2)(i)-(iv) of Rule 1006; or

(ii) Liquidation of futures contracts or closing transactions for option contracts carried in the account, plus, if necessary a deposit of additional margin made by the customer in one or more of the forms set out in subparagraph (d)(2)(i)-(iv) of Rule 1006.

(e) The initial and maintenance margin generally required pursuant to paragraph (a) hereof shall not be applicable to:

(1) transactions which are bona fide hedging positions within the meaning of Commission Regulation 1.3(z)(1), provided that a hedging declaration in a form acceptable to the Exchange has been filed by the customer with the member or member organization. In such case, the levels of initial and maintenance margin established by the Exchange for bona fide hedge positions pursuant to paragraph (a) hereof shall be applicable to such transactions; or

(2) inter-market spread transactions enumerated by the Exchange. In such case, the levels of initial and maintenance margin established by the Exchange for inter-market spread transactions pursuant to paragraph (a) hereof shall be applicable to such transactions. Such inter-market spread transactions shall include positions in foreign currency futures contracts matched with positions in foreign currency option contracts traded on the PHLX or in options contracts on foreign currency futures traded on other contract markets as designated by the Commodity Futures Trading Commission ("CFTC") pursuant to Section 5 of the Commodity Exchange Act ("Act") or with positions in foreign currency futures contracts traded on the Exchange or on other contract markets as designated by the CFTC pursuant to Section 5 of the Act which option and/or futures positions are in the same account carried by the same member or member organization.

(3) inter-currency spread transactions enumerated by the Exchange. In such case, the levels of initial and maintenance margin established by the Exchange for inter-currency spread transactions pursuant to paragraph (a) hereof shall be applicable to such transactions. Such inter-currency spread transactions shall include positions in one foreign currency futures contract traded on the Exchange or on other contract markets as designated by the CFTC pursuant to Section 5 of the Act, which futures positions are in the same account carried by the same member or member organization

(f) Nothing in this rule shall preclude any member or member organization in its discretion from imposing higher margin requirements than those established by the Exchange pursuant hereto with respect to any futures position.

Amendment.

November 6, 2003 (03-16)

¶ 7000 Voting By Members of Board and Certain Committees

Rule 1300. (a) Definitions. For purposes of this Rule:

(1) Committee shall refer to any of the following:

(i) Business Conduct Committee;

(ii) Advisory Committee appointed pursuant to Rule 409;

(iii) Hearing Panel appointed pursuant to Rule 405; or

(iv) Any other person or committee of persons, or any subcommittee thereof, that is authorized by the Exchange to issue disciplinary charges, to conduct disciplinary proceedings, to settle disciplinary charges, to impose

disciplinary sanctions, or to hear appeals thereof in cases involving any violations of Exchange rules, except those cases where the person or committee is authorized summarily to impose minor penalties for violating rules regarding decorum, attire, the timely submission of accurate records for clearing or verifying each day's transactions or similar activities.

(2) Family relationship shall mean a person's spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

(3) Governing Board shall refer to either of the following:

(i) Board of Directors

(ii) Executive Committee

(iii) or any subcommittee of the Board of Directors or the Executive Committee

(4) Member's affiliate firm shall mean a firm in which the member is a "principal," as defined in Commission Regulation Section 3.1(a) or an employee.

(5) Named party in interest shall mean a person or entity that is identified by name as a subject of any matter being considered by the Board or Committee.

(6) Significant Action shall mean any actions or rule changes which address an "emergency" as defined in Commission Regulation Section 1.41(a)(4) (exclusive of physical emergencies), and any changes in margin levels that are designed to respond to extraordinary market conditions or are likely to have a substantial effect on prices in any contract traded at the Exchange.

(b) Relationship with named party in interest.

(1) Nature of relationship. A member of a Governing Board or Committee must abstain from such body's deliberations and voting on any matter involving a named party in interest where such member:

(i) is a named party in interest;

(ii) is an employer, employee, or fellow employee of a named party in interest;

(iii) is associated with a named party in interest through a "broker association" as defined in Commission Regulation on 156.1;

(iv) has any other significant, ongoing business relationship with a named party in interest; or

(v) has a family relationship with a named party in interest.

(2) Disclosure of relationship. Prior to the consideration of any matter involving a named party in interest, each member of a Governing Board or Committee must disclose to the Exchange's compliance department whether he or she has one of the relationships listed in section (b)(1) above with a named party in interest.

(3) Procedure for determination. The Exchange's compliance department staff shall review items for consideration by the Governing Board or Committee for purposes of determining whether any such member thereof is subject to a conflict restriction in any matter involving a named party in interest. Such determinations shall be based upon information provided by the member pursuant to paragraph (b)(2) above and any other information held by and reasonably available to the Exchange's compliance department.

(c) Financial interest in a significant action.

(1) Nature of relationship. A member of any Governing Board or Committee must abstain from such body's deliberations and voting on any significant action if the member knowingly has a direct and substantial financial interest in the

result of the vote based upon either position at the Exchange or other exchange positions that could reasonably be expected to be affected by the action.

(2) Disclosure of interest. Prior to the consideration of any significant action, each member of any Governing Board or Committee must disclose to the Exchange's compliance department the position information referred to in paragraph (b)(3) below that is known to him or her. This requirement does not apply to members who choose to abstain from deliberations and voting on the subject of the significant action.

(3) Procedure for determination. The Exchange's compliance department staff shall review items for consideration by the Governing Board or Committee for purposes of determining whether any such member thereof is subject to a conflict restriction in any significant action. Such determinations shall include a review of:

(i) Exchange gross positions held in the member's personal accounts or accounts controlled by such member;

(ii) Exchange gross positions held in proprietary accounts at the members affiliated firm;

(iii) Exchange gross positions held in accounts in which the member is a principle;

(iv) Exchange net positions held in customer accounts at the member's affiliated firm; and

(v) Any other positions, whether Exchange or other exchange, held in the member's personal accounts or the proprietary accounts of the member's affiliated firm that could reasonably be expected to be affected by the significant action.

(4) Basis for determination. Such determinations by the compliance department shall be based upon:

(i) the most recent large trader and clearing records available;

(ii) information provided by the member pursuant to paragraph (c)(2) above with respect to positions; and,

(iii) any other source of information that is held by and reasonably available.

(d) Participating in deliberations. The Governing Board or Committee may permit a member to participate in deliberations prior to a vote on a significant action for which such member otherwise would be required to abstain, pursuant to paragraph (c) above, if such participation would be consistent with the public interest and the member recuses himself or herself from voting on such action. The Governing Board or Committee shall consider the following in determining whether to permit the member to participate in deliberations on a significant action:

(i) whether such member's participation in the deliberations is necessary for achieving a quorum in the matter; and

(ii) whether the member has unique or special expertise, knowledge or experience in the matter under consideration.

(e) Consideration of position information. Prior to any determination pursuant to paragraph (d) above, the Governing Board or Committee must fully consider the position information which is the basis for the member's direct and substantial financial interest in the result of a vote on a significant action pursuant to paragraph (c) above.

(f) Documentation of determination. The Governing Board or Committee must reflect in its minutes or otherwise document that the conflicts determination procedures required by this Rule have been followed. Such records must also include:

(i) the names of all members who attended the meeting in person or who otherwise were present by electronic means;

(ii) the name of any member who voluntarily recused himself or herself or was required to abstain from deliberations and/or voting on a matter and the reason for the recusal or abstention, if stated; and information on the position information that was reviewed for each member.

Adopted.

March 10, 2002 (99-01).